

JUN 20 '35 M

# The Executive PURCHASER

A NATIONAL PUBLICATION DEVOTED TO  
PURCHASING AS AN EXECUTIVE FUNCTION  
IN CORPORATION MANAGEMENT

CONVENTION REPORT



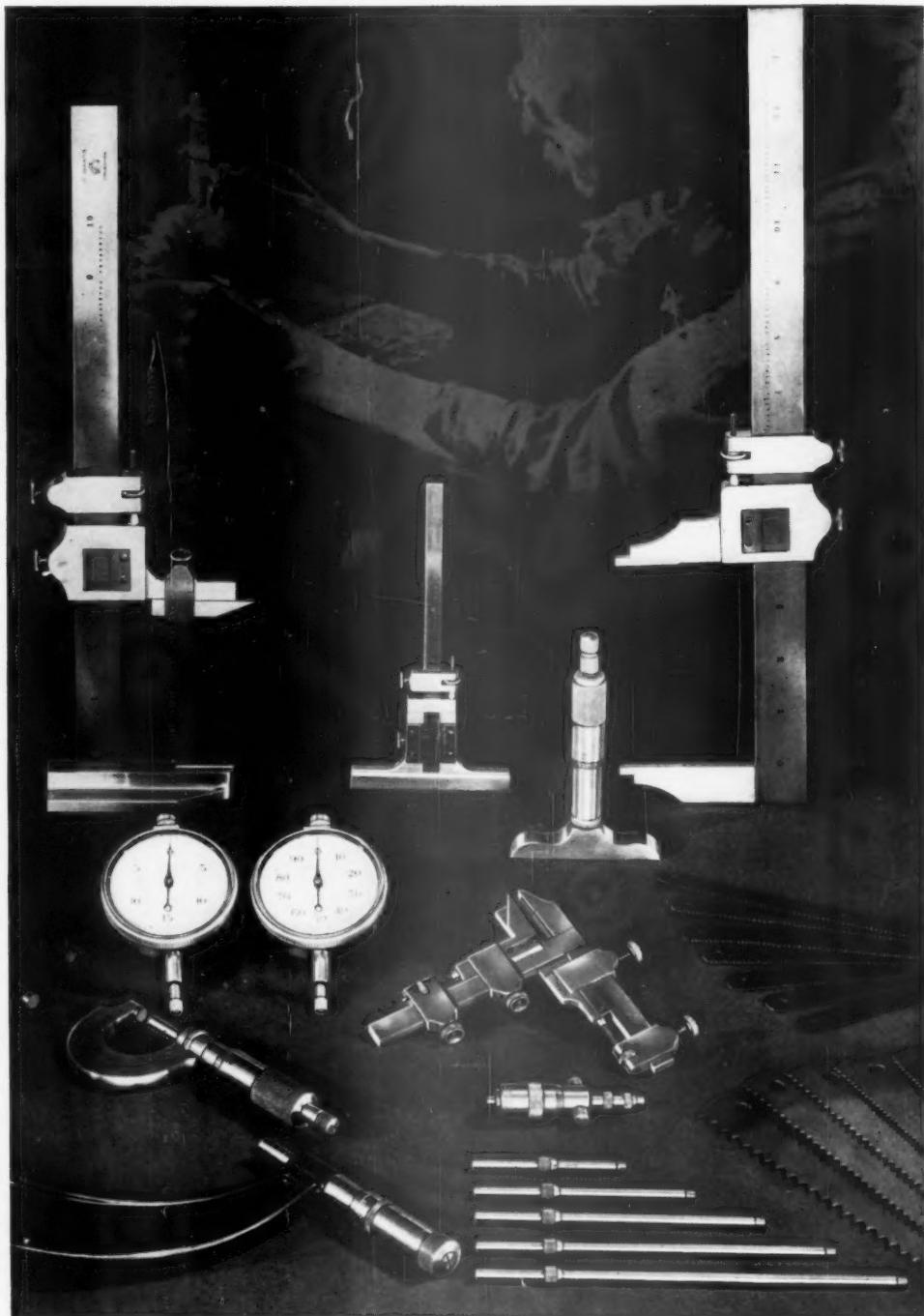
Mettee Photo

**Public Purchaser Number 1**

*See Page 10*

The Starrett Tools shown in this photograph are Vernier Height Gage No. 454, Vernier Depth Gage No. 448, Vernier Caliper No. 122, Micrometer Depth Gage No. 449, Starrett Dial Indicators 25-A and 25-F, Gear Tooth Vernier Caliper No. 456, 6-inch Micrometer No. 436, 1-inch Micrometer No. 230, Inside Micrometer No. 124-A and Starrett High Speed Hacksaw Blades for hand frames and power machines.

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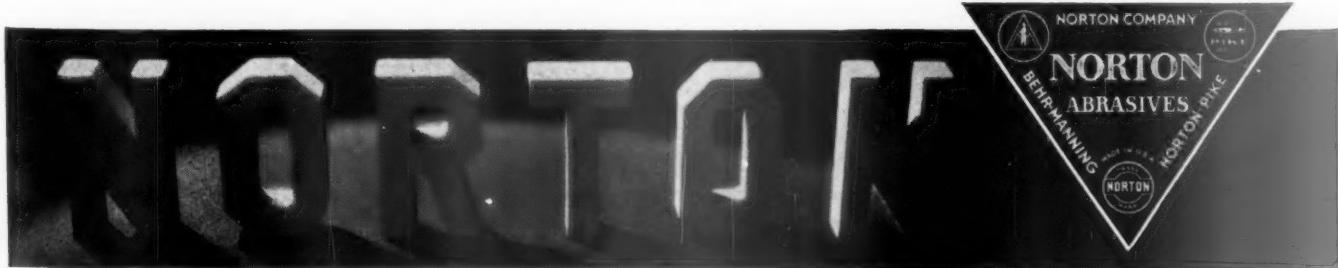
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# The EXECUTIVE PURCHASER

*The National Publication Devoted to Purchasing as  
an Executive Function in Corporation Management*

*Member, Controlled Circulation Audit*



## CONTENTS FOR JUNE 1935

### N. A. P. A. Convention Report

F.O.B. . . . .	4	At the Inform-a-Show . . . . .	19
After the Codes . . . . .	9	Effect of Government Policies on Business . . . . .	20
Shipman Medalist . . . . .	10	<i>Hon. John Dickinson</i>	
President Elect . . . . .	10	<i>Charles R. Hook</i>	
Where Are We Headed? . . . . .	11	<i>E. W. Kemmerer</i>	
<i>Neil Carothers</i>			
<i>Lewis H. Haney</i>			
A Symposium on Purchasing Problems		How Commodity Markets React to Government Policies . . . . .	22
1. Branch Plant Buying . . . . .	12	Coal Marketing . . . . .	24
<i>Bertram S. Stephenson</i>		<i>James Walter Carter</i>	
2. Buying Futures and Hedging . . . . .	13	Business Book of the Month . . . . .	28
<i>Ernest H. Hawkins</i>		<i>"The Economics of Inflation"</i>	
3. Grading and Preparation of Non-Ferrous Scrap . . . . .	14	Trade Literature . . . . .	33
<i>E. G. Wertheimer</i>		Trade Notices . . . . .	34
4. Buying for Construction in the Field . . . . .	16	The Market Place . . . . .	36
<i>A. C. Bull</i>		New Products and Ideas . . . . .	48
5. Emergency Purchases . . . . .	17	Index to Advertisers . . . . .	52
<i>G. A. Tompson</i>			
6. Reciprocity . . . . .	18		
<i>Howard T. Lewis</i>			

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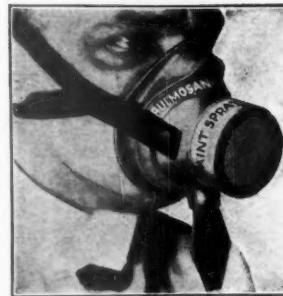
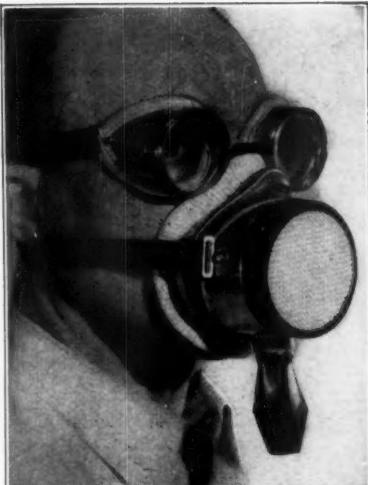
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Address.....

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# F. O. B.

## [Filosofy of Buying]

**T**HIS chain letter gag is old stuff in industrial marketing. Manufacturer X has a swell product idea and writes to five Grade A prospects with an offer. These five recognize the merit of the plan and each one writes to five other manufacturers for a bid. The twenty-five manufacturers in turn circularize one hundred and twenty-five new prospects. The prospects promptly send out six hundred and twenty-five requests for quotation. By this time, Company X's name has worked up again to the head of the list, and with good luck they get a dime—pardon us, an order. Maybe.

★ ★

Curious Cuthbert wonders why it is, if competition is the life of trade, that the same principle doesn't apply to foreign competition.

★ ★

Says Hi-Pressure Pete: *They say that purchasing is a non-productive function, but I've known many a purchasing department to produce a lot of grief.*

★ ★

Back in June, 1933, the N.A.P.A. convention decided that something ought to be done about the business situation, and the day after Bill Roach's gavel sounded the end of the meeting, President Roosevelt signed the Industrial Recovery Act. This year, the same group discussed the effect of national policies on business and price trends, and four days after Don Clark adjourned the convention, the Supreme Court wiped N.I.R.A. off the statute books. Pure coincidence, of course.

★ ★

The recent satirical Broadway success, "Let 'em Eat Cake," pictured the Supreme Court in the role of a baseball nine, and not a particularly good one, at that. The New Deal Bluebirds, champions in '33 and '34, took a number of close decisions from that outfit, but in the crucial game of '35 the Justices turned in a 9-0 shutout.

### A Heap o' Buying

It takes a heap o' buying to make a real P.A.  
Some things you learn by doing 'em; there's just no other way.

Yes, "An order is an order" and "Anyone can buy"  
But do they know the answers to what, when, where,  
and why?

You can break a "cub" or make him, when he comes  
to sell you—true,  
But what about the wolf-pack that lies in wait for you?  
Figures not on any price list, facts that lurk between  
the lines,

These are things a buyer must look for ere he signs.  
Many there be can drive a trade and pile the stockroom  
high;  
Fewer far are those who know true value in a buy.  
Science may set your standards, charts tell you what to  
pay,  
Still it takes a heap o' buying to make a real P.A.

★ ★

Those who deplore the fact that no new industry sprouted, like automobiles and radio, to pull us out of the depression, have overlooked the code business, which certainly boomed along in great style while it lasted. Outside of the organization itself, which was no mean item, it rehabilitated the hotel and taxi industry of Washington, materially increased traffic for the railroads and air lines converging on that terminal, ran up impressive toll accounts for the telegraph and telephone companies, and brought clients to the doors of hundreds of unemployed attorneys, pro and con. And for two years it was nothing short of providential for trade paper editors in search of a subject.

★ ★

### P. A.'s Mother Goose

This little buyer went to the convention  
That little buyer stayed home  
This little buyer had lots of new ideas  
That little buyer had none  
This little buyer said, "I'll sell the Association  
idea  
To all the boys back home."

★ ★

Shipman Medalist Walter Kirkman is responsible for this gem of definition: *Reciprocity is*  
*Continued on page 6*

# DON'T SPEND ONE PENNY ON WATER COOLERS

..... UNTIL YOU'VE SEEN THE

*New*  
**GENERAL  
ELECTRICS**



- New Models • New Styling
- New Features • Totally New Standards of Sanitation!

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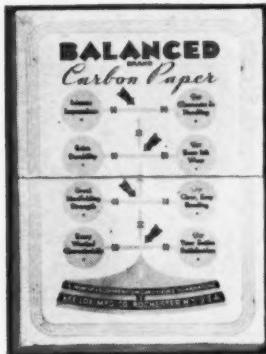


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## F. O. B.

*the projection of politics into purchasing.* Walter has a high rating in both fields; he ought to know. And he surely deserves another medal for this contribution to our technical dictionary.

★ ★

Seems as though about every other booth at the Inform-a-Show was sponsoring a guessing contest. Which prompted W. D. Gent of the Lee Spring exhibit to tack up a modest sign: *Don't guess. Buy on specification.*

★ ★

### F. O. B. Mailbag

Postmaster Jim Farley's assistant who carries in the morning mail, brought us the following communication the other day. E.W.H. claims to be a buyer, and has a nicely engraved business card to support that contention. Besides, his name has long and loyally been on our circulation list. So he ought to know his stuff.

### ABSIT INVIDIA\*

P.A. is a symbol that stands for a buyer, who maneuvers in regions both lower and higher. He is known to his friends as a regular guy, but there's other nice names that will also apply. Sometimes he is right and at other times wrong, but he's wary of goods that are sold for a song. When lost in abstraction he'll wander afield, but give him a hundred percent and he'll yield.

I would like to believe he is always discreet, and minus that malady known as deceit, but the world is so large, and men so diverse, he may not exactly be free from the curse. I've heard it remarked (and perhaps it may be) he can measure the dust on the wings of a flea; and in confidence now, just between you and me, he knows to a hair what your profits should be.

If you've ever been properly put through a sieve, you have his idea of "Live and let live." He's subtle sometimes, and he may seem obtuse in responding to tips that are meant for his use; and part of the time, when he seems to look wise, he's forgotten your line (which he tries to disguise). His trumps are but few and his troubles are many, but always he knows he must save the last penny.

Now this is my story and none of it's new, and maybe there's only a part of it true; for the lizard that changes its color each day doesn't differ a lot from our friend the P.A. So here's to his health! May he live long and well, and be nice to the boys who have something to sell.

E.W.H., Penna.

\*A Latin phrase, translated in the dictionary as "No offense intended." OK, E.W.H., P.A., none is taken.

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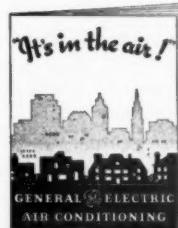
He is backed with the most comprehensive line of equipment produced by any one manufacturer—equipment resulting from G-E's years of air-handling experience. His men are trained by G-E to begin with an accurate survey and estimate, and

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All steel products such as Bars, Structural, Plates, Sheets, Strip Steel, Welding Rod, Tubes, etc., are carried in stock for immediate shipment.

**RYERSON STEEL SERVICE**

# The Executive PURCHASER

Vol. III

JUNE, 1935

No. 6

## AFTER THE CODES . . .

THE abrupt termination of the code era in American business, following the Supreme Court decision of May 27th in the Schechter case, raises anew the whole question of a national program for business recovery. Enough time has now elapsed since that decision to get a reasonable perspective on the probable course of development. The immediate reaction, the impression of complete collapse when the codes were invalidated, now appears to be justified only from the political viewpoint, and this after all is the least significant aspect of the situation. For the political and administrative set-up was but a means to an end, and the feeling was widespread in the business community that the practical purpose of NRA had been served. Granting the efficacy of the codes in meeting a crisis and bridging the emergency conditions of 1933, it was a very general opinion that continuation of such control was lately retarding rather than aiding recovery.

Much of the comment at the N. A. P. A. convention, held on the eve of this decision, was frankly and severely critical of governmental policies. This attitude was expressed by economists, industrialists and buyers alike, and it was an honest expression of opinion. One commentator on the steel industry, asked concerning the sentiment in that field as to the continuation of the code, replied that a poll in open meeting might result in a 9-1 vote for the code, but that if the same group were queried individually, out in the hall, the vote would be reversed in about the same proportion. A similar sentiment exists in many another trade group.

The uncertainty attendant upon the code regime, the well-founded doubts concerning its validity, the purposeless friction regarding details of compliance, the additional tax for code administration, the fiction of "voluntary" regulation — all these have been swept away. The uncertainties are further cleared by the wording

of the decision itself, which goes beyond ordinary court procedure to the extent of indicating, by inference, a more acceptable course of procedure and legislation. It will scarcely be necessary in any revision of the program to wait two years for an indication of judicial opinion as to ways and means.

The orgy of wage cutting that was predicted by proponents of the code system as an inevitable consequence of code suspension, has failed to materialize. While the position of labor is still undetermined, and must remain so until more general legislation is agreed upon and passed, the gains achieved under code negotiation are largely maintained, and one of the fundamental purposes of the Act has been accomplished.

Price cutting has been practically confined to retail outlets, and to those items such as cigarettes and books where rigid forms of resale price control had resulted in a highly artificial and uneconomic condition. Such instances, blazoned in large type on the pages of newspapers and directly affecting the consumer's pocketbook, have a disproportionate publicity value. Farther back in the line of distribution there is little evidence of change except to "make honest" those who have conscientiously refused to believe it a crime to price their product with some regard to individual costs instead of holding the umbrella over less efficient or more grasping competitors.

Business is no more inclined to surrender to the 15% of unprincipled chiselers than it was under the pressure of 1933. It has learned much in the past two years about the advantages of unified policy and trade practices. But it has also learned that it can ill afford to relinquish the advantages of efficiency and initiative. Marketing practices that are based on the plan of achieving competitive parity by penalizing those qualities are not likely to return.

## SHIPMAN MEDALIST (see cover photo)

**T**O commemorate the memory of one whose diligent, faithful yet unobtrusive service contributed much to the advancement of purchasing and the propagation of the National Association of Purchasing Agents; to honor similar service in a manner befitting the accomplishment; and to express the gratitude, appreciation and respect of purchasing agents for leadership which enhances their standing and the standing of purchasing in the business world, The Purchasing Agents' Association of New York has founded the J. Shipman Gold Medal to be awarded through the National Association of Purchasing Agents to one who by precept, example or distinguished service has contributed to the advancement of purchasing."

This brief and ever impressive statement was repeated on May 22nd by Ernest H. Hawkins, Purchasing Agent of the Dupont Company, Wilmington, a former co-worker with Johnson Shipman in the New York Association, and chairman of this year's Shipman Medal Committee.

Recipient of the 1935 medal, a popular and well deserved selection, is Walter N. Kirkman of Baltimore. In presenting the award, Mr. Hawkins said:

"I consider it an honor to have known and worked with the man to whom this medal is to be awarded.

"He entered the service of his native state in 1910, was appointed State Purchasing Agent in 1921, State Budget Director in 1922 and Secretary of the State Health Department. He joined his local Purchasing Agents' Association in 1921 and later served two terms as President of that Association. He has been Vice-Chairman of the Governmental Purchasers' Group since 1921 and Chairman of the National Committee on Governmental Purchasing since 1926. He was elected Vice-President of the National Association of Purchasing Agents in 1932 and made Director of the Budget and Financial Officer of the Executive Committee for that year. He was elected President of the National Association in 1933 and Vice-President in 1934.

"He has given the nation a practical example of efficient purchasing for a state government and has been of material assistance in effecting the passage of suitable laws for the establishment of efficient purchasing in other communities. He has given unstintingly of his time and ability and carried out with extreme credit the duties of the several offices to which he has been called by this Association.

"Unselfish always and ever active in advancing the interests of the Association and his chosen profession."

## PRESIDENT ELECT

**F**RED J. LUCAS, who was elected to the presidency of the National Association of Purchasing Agents at the twentieth anniversary convention last month, will shortly be celebrating the thirtieth anniversary of his own career in the profession, for it was in 1906 that he joined Purdy-Mansell, Ltd., of Toronto as purchasing agent and secretary-treasurer. This wealth of business experience and practical background is supplemented by a splendid record of Association work that has made him known and respected wherever purchasing agents foregather. He served as president of the Toronto Association in 1924 and was subsequently elected to the chairmanship of the Council of Canadian Purchasing Agents' Associations. Chosen as Vice President of the N.A.P.A. from District 5 in 1934, he has for the past year headed the important national committee on membership requirements and eligibility, surveying proposed junior membership classifications, and has contributed valuable counsel on all phases of the executive work. Congratulations, Fred. Congratulations, N.A.P.A.

Besides his strictly professional activities, Mr. Lucas is a prominent Rotarian and has been president of the High Park Curling & Bowling Club and the Ontario Curling Association.



**Convention speakers ask:**

# WHERE ARE WE HEADED?

**PROPHET  
OF HOPE . . .**



**DR. NEIL CAROTHERS**  
Lehigh University

**PROPHET  
OF GLOOM . . .**



*Blank & Stoller*  
**DR. LEWIS H. HANEY**  
New York University

**R**ECOVERY is on the way, inevitably, relentlessly, and unstopped. It is here, and all over the world. It is my judgment that there are many dangers confronting business today, but serious as they are they will not overwhelm us in the race between recovery and unwise government policies. This country is so rich and so basically sensible that we can stand much inflation without going over the dam onto the rocks. I am even now betting on recovery.

While recovery cannot be stopped, it can be retarded. The chief dangers are (1) unwise legislation, (2) abnormal and unnatural recovery through an inflationary price rise, and (3) the possible mass demand for some crazy and visionary scheme. All of these can yet be avoided by a determined policy of balancing the budget, reducing expenditures, and spending the incredible appropriations for relief in an economic and non-political way.

If we could persuade Congress to adjourn tomorrow and the Administration to announce that the era of experiments to promote recovery is over, a complete and final recovery would begin at once.

**W**E do not find the maladjustments of 1929 corrected. The so-called recovery which has occurred since 1932 rests either on various forms of "moratoria"; upon production control and price-fixing arrangements; upon Government expenditure of borrowed funds; or upon arbitrary and unsound tinkering with money and credit.

Down to March, 1933, I held that inflation in this country was improbable and that certainly there was no necessity for it. Since that time my views have changed and I do not see how we can possibly escape drastic inflation.

No matter how fine the water may seem at times during the next year, I would remember the essential unsoundness of what is going on. I would put all the money I could into plant and equipment, and do so without regard to current yields on such an investment. Certainly there is the possibility that we are headed for an inflationary spurt, to be followed by a deflationary crash and severe competition. Long run considerations suggest redoubled efforts to improve future earning power.

# A SYMPOSIUM ON PURCHASING PROBLEMS

A series of papers presented at the twentieth anniversary convention  
of the National Association of Purchasing Agents

New York, May 21, 1935

## BRANCH PLANT BUYING

**BERTRAM S. STEPHENSON, Vice President**  
**American Radiator & Standard Sanitary Corporation, New York**

IT is exceptional, but by no means impossible, to find large organizations in which purchasing is completely centralized, with absolutely no delegation of authority to either local buyers or plant managers. At the other extreme—and almost as rare—are concerns with widespread interests which work principally through local buyers, with a minimum of reservations for handling at headquarters. Between these limits and crowded into a rather narrow zone is the composite system at present in effect with most large companies, especially those of an industrial character. It is by no means midway between, but well toward the centralized end of the pendulum's swing. In essence it is built around the policy of purchasing or contracting for all items of common consumption or those otherwise important by the central office, to which also are referred for approval any additional purchases of consequence.

Under this arrangement local buyers handle a varying range of requirements outside of the limits noted; they also specify against the contracts drawn by headquarters, expedite shipments, police inven-

tories and attend to similar matters which can best be handled on the ground. Frequently—perhaps generally—these local buyers are under a sort of dual control, reporting to both plant manager and central purchasing. If this sounds a bit like carrying water on both shoulders, in actual practice it usually works better than it sounds.

The place of local buyers in scattered-plant procedure is so important as to warrant further consideration. Requirements for breakdown and other emergency purposes are a customary exception from any limitation, and the old-time practice of setting a dollar maximum has largely disappeared. Iron-clad rules seem to be giving way to hard common sense. Witness this statement by the head of a highly regarded purchasing organization: "The latitude of a local purchaser should not be measured on a dollar-and-cent basis,—too many factors enter into the placing of business, such as the possibility or impossibility of anticipating at any particular time, or the necessity of handling direct certain purchases which might be placed as efficiently locally, as well as many

other considerations. I am convinced the only practicable way to solve the problem is to study all the conditions at each individual plant and prescribe in each case accordingly."

Another large manufacturing company leaves to the local buyer "the negotiation of contracts where his plant is the only user of a certain material, this subject to final approval by headquarters" and adds that "he must use his own judgment in referring to us questions relating to such matters as especially large purchases, new materials involving a new group of suppliers, etc." This checks closely with the practice of a leading steel company, which puts it this way: "We place no limit in dollars upon our local purchasing men; they are required to use their best judgment, clearing with the home office in cases where they think it necessary, otherwise taking the consequences."

Another concern, a leader in its industry and with wide ramifications, has its "local buyer directly responsible to the plant manager and indirectly to the central purchasing organization. Occasionally, of course, this leads to differences of opinion and in some cases the plant buyer has been called upon to place orders which were not strictly in accordance with established procedure. In general, however, our experience has been favorable; where misunderstandings do

occur, we find these are largely fostered by others than the buyer."

Clearly, therefore, another set of problems center around the relations between the local buyer and his plant manager. Central purchasing may be a thousand miles away and personal contacts correspondingly few, whereas buyer and manager are in daily contact. Whether in theory responsibility for the former's actions rests completely, partially, or not at all with the manager (and all these situations exist), actually there must be full confidence and cooperation between them. This leads to the observation that any purchasing man, be he local buyer or department head, in whose makeup there is not a bit more than the allotted average of tact and diplomacy, is headed for more than his share of what Mr. Kipling once termed "the minor damnabilities of life," quite possibly with a few major damnabilities thrown in for good measure.

The purchasing head of a large steel company stresses the point

that where a corporation owns subsidiaries which, for legal or other reasons, are operated separately and under their own names, a somewhat different arrangement is desirable and perhaps necessary. His situation is doubly involved in that it includes several important subsidiaries as well as a number of scattered plants operated directly

by the parent company. The subsidiaries handle their own purchasing, but under his supervision. All contracts of a general nature are negotiated by headquarters, but an exception is made that, where a material is peculiar to one company, it negotiates directly, merely submitting the contract for executive approval.

## BUYING FUTURES AND HEDGING

**ERNEST H. HAWKINS, P. A.**

E. I. duPont de Nemours & Company, Wilmington

ALL transactions in commodity futures involve the buying and selling of contracts for future delivery of the actual commodity. All contracts must, of course, be completed on the same exchange. "Bought" contracts may be liquidated at any time prior to maturity by selling equivalent contracts; a "sold" contract may likewise be

liquidated by the purchase of an equivalent contract. Contracts remaining open at their maturity must be liquidated by delivery of the actual commodity.

The actual buyer or seller of a commodity is always some member of the exchange, acting for his customer who may be an Elevator Company, Miller, Manufacturer,

## AROUND THE CONVENTION

For the banquet session and Early Birds dinner, the path from the registration lobby to the ballroom was just 40 feet straight down a little corridor, and there you were. But when the Inform-a-Show was open, and the detour signs went up, you made the same trip by going way down the hall to the Basildon Room, first left, first right, first left, through the Jade Room, along the passage to the Astor Gallery, first right—oh well, follow the arrow. 200 yards by cutting all the corners, and interesting every step of the way.

Jim Berry's container group put on one of the few overflow meetings in convention history. The combination is hard to beat: a live committee, a subject of immediate interest to many buyers, a practical speaker, and an informative exhibit.

And at the right, meet Don Clark of Providence, whose clear thinking and able leadership contributed in large measure to the year's success. He will serve again on the Executive Committee.



Louis Terri

Dealer, Banker, Farmer, Producer, or any other individual or organization engaged or otherwise concerned or interested in that commodity.

A customer's "buy or sell" order is promptly transmitted by an exchange member house via direct wire to their floor trader on the exchange, who at once takes it to the "pit," "ring," or "post" where he buys or sells in strict accord with his orders. The floor trader then immediately reports his transaction back to his firm who promptly gives the customer a confirmation of the execution of his order. The entire transaction if placed at the market usually requires not more than two or three minutes in any fairly active market on an important exchange.

All commodities which have an established future market always occupy a preferential position in banking circles. Commodity exchanges primarily constitute a ready market for the whole marketing season of a basic commodity, which markets are always at the command of the seller and the buyer. Thus, a basic commodity is preferential collateral in all commercial banking circles of the world.

While all commodity markets are more or less subject to Federal regulation, consideration should be given to the possibility of Governmental action which might affect the market or the profits resulting from operations on the market. We bear in mind the action taken by our Government in August of last year under the "Silver Purchase Act of 1934."

The requirements of a satisfactory market in which to operate depend on the commodity and the purpose and size of the operation. Obviously, if the trading on any exchange is only a few units a day, the market is too narrow for practical use. In other words, no market is satisfactory for ordinary operations at least, unless it represents a composite of the "hopes, fears and necessities" of the

world's producers, consumers, speculators, dealers and merchants. The size of the operation, particularly in any one month, should preferably be such that it may be liquidated promptly without materially affecting the market.

When an operator or trader takes a position on the short side of the market, he does so with the idea of being able to cover his short-sale by buying an equivalent contract at a lower price before the expiration of the delivery month stipulated in his

contract, or of making delivery of the actual commodity on the contract. On the long side of the market one must close out the contract before or when the commodity is tendered or accept the tender of the actual commodity.

Commodity futures markets are used for (1) speculation or investment, or (2) hedging, both ordinarily without taking or making delivery of the physical commodity. They may also be used as (3) a

*Continued on page 46*

## GRADING AND PREPARATION OF NON-FERROUS SCRAP

E. G. WERTHEIMER, P. A.

Federated Metals Corporation, Detroit

PROBABLY no phase in connection with the sale of industrial waste material is of greater importance and consequence than that which refers to the classification and preparation of industrial non-ferrous metal scrap. This function is of rather recent origin. Not a great many years ago there was practically no effort made on the part of industries selling their non-ferrous scrap metals, to prepare them so that they might have a greater value to both the seller and the ultimate buyer. Certain types of industries have made rather important strides in this direction, but there is still much to be done. Many industries, both large and small, are losing substantial sums of money every year because they do not regard seriously enough the fact that failure to classify or properly prepare material will bring a lesser price for the product.

Proper classification and preparation permits of accurately describing the article in accordance with designations commonly used in the trade. This permits a man remotely removed from a specific accumulation to read an accurate

description of the material and bid on it without ever seeing it. Very little industrial non-ferrous metal scrap is accumulated in a form actually preferred by the buyer, unless it has first been either classified or prepared. Since the buyer must eventually do this if it has not already been done, why then is it not sensible to do the job at the point of origin, inasmuch as the material must be handled anyway?

The disposition of industrial non-ferrous metal scrap is a job that has been turned over very largely to purchasing departments. The purchasing agent has a decided advantage in the sale of non-ferrous scrap metals. He knows the specifications, chemically or otherwise, under which the material was originally bought. He should, therefore, use this same specification in connection with the sale of the merchandise as scrap.

Many of the conditions which are common to every purchase transaction are frequently unheard of, or at least unused, in a salvage transaction. There are very few purchasing agents who would buy any article unless the following condi-

tions were quite specifically agreed upon and stipulated:

1. Quantity
2. Shipping date
3. Terms
4. Specification or description
5. Kind of packages

Is it not strange then, that this same procedure is frequently not used in the sale of waste materials? It would seem that the practice regularly indulged in, in connection with purchases, would quite naturally find itself commonly used in the scrap department.

The preparation of industrial non-ferrous metal scrap might well be divided into three classes:

1. Scrap acquired from production departments.
2. Scrap acquired from maintenance operations.
3. Scrap acquired from dismantling operations.

Scrap acquired from production departments may be divided into two groups as regards method of preparation, as follows:

1. Preparation at the source or unit producing the scrap.

2. Preparation of the scrap after it has left the production department.

The first group consists principally of five kinds of material:

1. Borings and turnings accumulated from machining operations.
2. Skeletons, clippings, and short ends accumulated from punching or shearing operations principally, and sometimes from other machining operations.
3. Solids found to be defective during the course or after completion of all operations.
4. Metallic residues, slags, skimmings, drosses, etc., accumulated through certain melting operations or plating operations.
5. Certain classes of non-ferrous metals used to process production items.

Something can usually be done in connection with the preparation of those five items at the point where they are produced without incurring any additional expense whatever.

Skeletons and clippings accumulated at the point of production must be carefully kept separate as

to composition. This will save an expensive sorting job in the waste material department.

Solids accumulated along a production line as scrap in various states of completion may frequently be kept separate to advantage.

Sometimes there are several types of drosses accumulated in an industrial plant. Where it is quite apparent that the value differs, due to richness or some other factor, then these quite naturally must be kept separate. The values are usually low, as compared to the metal from which they are made. As a consequence, contamination of these is a vital factor which frequently reduces the value to a point where it scarcely pays to handle the item.

The last type designated as processing scrap might be best illustrated by plating department items. Spent copper and nickel anodes must be kept separate as must likewise be the sediments recovered from the bottom of copper or nickel

*Continued on next page*

## DISTRICTS No. 1 AND No. 2



C. A. KELLEY  
Riverside

responsibilities as N.A.P.A. Vice Presidents for District No. 1 and District No. 2.

C. A. (Mike) Kelley has been purchasing agent of the Southern Sierras Power Company at Riverside, California, for the past twenty-two years, a record which speaks volumes for his business and professional standing. An Amherst College classmate of Calvin Coolidge and Dwight Morrow, he carries on in purchasing that tradition of ability, integrity and service. He succeeds A. R. Van Sant of Lake Washington Shipyards, Houghton, Washington, on the Executive Committee.

H. D. (Pat) Patridge does the buying for a concern with the formidable title: The Indian Territory Illuminating Oil Company, of Bartlesville, Oklahoma. He has been a leader in the activities of the Tulsa Association, and is a worthy successor to the long list of capable



H. D. PATRIDGE  
Bartlesville

men whom the Mid-Continent petroleum fields have sent to participate in national councils. He succeeds Walter R. Heyman of the Oklahoma Gas & Electric Company, Oklahoma City.

IT seems there were two fellows, Mike and Pat, who came up to New York last month from the Southwest to take over their new

plating tanks. Racks, hangers and baskets may be kept separate according to the base metal from which they are made and further as to whether they are coated with copper or nickel.

Non-ferrous metal borings, if already contaminated with other non-ferrous metals, cannot be separated. It may, however, be decidedly beneficial to put the borings through a mechanical device for removing the oil or slushing compound. Many of these are on the market, and most of them operate on a centrifugal principle. This operation has several desirable features. First, it reduces the liquid content of the borings. Second, the liquid material in itself may have a decided value. There are a number of plants, for example, who recover lubricating oil from borings by the means just mentioned. This lubricating oil is then further processed and, when recovered, still has a lubricating value practically equivalent to the original oil used.

Non-ferrous metal clippings might be made more attractive by actually handsorting the material and removing contaminated material of one kind or another. With this class of material is connected another important operation to improve the value, namely the briquetting operation. Briquetting is not recommended except in cases where the scrap is of the finest character and there is absolutely no question of contamination.

If you do not have an accurate description of the material or if it is located in such a place as to not be readily visible, then you cannot expect to obtain a satisfactory price. If the circumstances just mentioned obtain, it is best to have a small representative sample of the material available to some point where it can be readily seen and examined, and then of course, it is necessary to guarantee the large lot available for sale, to be equivalent in quality to the sample.

If the material is baled, such as clippings, bales should not weigh over 1,000 pounds, and tops should

be kept open to permit inspection. Single decked barrels with open tops and aisles between rows of two barrels are very satisfactory. Stacking barrels is not satisfactory, since the material is not accessible for inspection. Bags are satisfactory if the tops are kept open to permit inspection. None of these containers, however, should weigh over 1,000 pounds, because the industry is really not prepared to handle heavier packages.

I think it is not alone an advantage, but necessary that sales proposals for non-ferrous scrap metals indicate the approximate weight of the items to be sold. Many buyers confine themselves either to the purchase of small lots, or of large lots, and the statement as to the

approximate weights to be sold is apt to invite the very type of bidder who is accustomed to handling a lot of the size mentioned.

An important factor in handling the scrap involves its sale for reuse rather than for remelting. Salvage concerns will pay much more for desirable material than may be received through scrap value. A certain concern had scrapped several discontinued sizes of nickel-plated screws. The bulk of these had been sold as scrap brass in the neighborhood of 4c per pound. One day, quite by accident, one of the buyers of a large salvage company happened to see the remainder of the lot and promptly bought it in the neighborhood of 20c per pound, and was glad to get it at that figure.

## BUYING FOR CONSTRUCTION IN THE FIELD

**A. C. BULL, P. A.**

*Bylesby Engineering & Management Corporation, Chicago*

**T**HREE is an old saying that anticipation is better than realization. In purchasing work we might say anticipation makes possible realization. The majority of the requirements of the field construction force must be anticipated, the remainder handled most efficiently by an ability to visualize field problems as they have arisen and to see them with the eye of a construction man.

Now as to some practical methods of handling the problem as outlined. As these will be confined to the practices of the company by whom I am employed, let me first give you a brief outline of this organization.

The Bylesby Engineering and Management Corporation is the management unit of the Standard Gas and Electric Company. The latter is one of the larger public utility holding companies in the country. The subsidiary properties may be divided into 12 major

groups. The territory involved ranges from Pittsburgh, Penn., to San Francisco, from the Canadian border to southern Oklahoma, with a small group of properties on the west coast of Mexico. These local properties consist mainly of electric, gas and transportation utilities. The headquarters of the management corporation are located at Chicago and consist mainly of an engineering and construction department, an operating department, an accounting department, and a purchasing department.

Major projects of construction are designed and handled by the engineering department in Chicago. Minor projects of construction are handled by the local offices maintained at the subsidiary property by the engineering department or by the local construction forces. Such projects as transmission lines, steam generating stations and especially hydro-electric developments are often carried on in locations

that are distant even from the main office of the subsidiary company.

Purchasing departments are maintained by each group of subsidiary companies and located at central points in these groups. Materials and apparatus must be procured for direct operating needs and also for new construction projects. These purchases must be centralized sufficiently to procure savings comparable to the total purchasing volume involved. However, these savings must not be achieved at the sacrifice of availability or suitability.

The only reason for our central purchasing department has been its ability to save money for the sub-

*Continued on page 45*

## DISTRICT No. 3



Louis Terri

H. H. NOTT  
Minneapolis

**H**AROLD H. NOTT, Purchasing Agent of the Smith System Heating Company, Minneapolis, and active in the affairs of the Twin Cities Association, is the new Vice President for District 3, N.A.P.A. He succeeds George L. Meyer, Jr., of the Stewart-Warner Corporation, Chicago.

## EMERGENCY PURCHASES

GUY A. TOMPSON,

Director of Purchases, The Empire Companies, Bartlesville, Oklahoma

**E**MERGENCY purchasing in its strict sense is buying for an unforeseen occurrence or condition calling for immediate action where the regular procedure will not satisfactorily take care of the exigency. In its broader sense, and this is the sense in which it is here treated, emergency purchases include all those purchases where the emergency procedure for economic reasons is followed. It is intended here to point out that the emergency procedure for buying is logically used as a regular method of procurement for certain materials under certain conditions. The materials to be so procured are primarily items of small value, and the conditions under which they may reasonably be so purchased are where properties are isolated and satisfactory sources of supply are locally available.

An illustration will probably make clearer what I have just said. Working barrels for pumping oil wells are commonly used by the industry, and requirements in most cases may be anticipated. However, the cost per unit is small, less than \$10.00 each; the property in this case to be supplied is isolated; an oil well supply store is located only a few miles away where the working barrel may be obtained at the minimum price. With these conditions existing it may be advisable not to buy this item ahead of actual need, which would build up the company's stock and incur handling costs, but instead wait until the immediate need for the working barrel exists and permit the man in charge of the property to buy at that time.

It is not to be thought that emergency buying is a means to be employed without restraint. It should be kept to a practical minimum. It is not a procedure to be built up

and be used where the regular procedure can be satisfactorily and economically employed. Constructive and careful planning is the most effective agent in keeping it to a desirable minimum. This, however, is not a function of the purchasing department alone. The department using the materials must first have well laid out plans outlining material requirements. Furthermore, they must be conceived in time for the purchasing department to study the requirements and plan their methods of handling.

What are the specific means of control? The first approach is a study of one's own organization with the aim of determining the extent to which the emergency procedure should be used. The size, the number, and distribution of the units of property are primary governing factors in determining its use. In fact in the case of a single plant with the purchasing agent located nearby emergency buying should not be a problem. As the units increase and the distance between them becomes greater the problems of emergency buying multiply. These problems will be modified some by the facilities for communication. For instance, we have our own telephone and telegraph system that reaches all of our large units of property, and many emergency purchases are made through the general office by the buyers that otherwise would be purchased by the man on the property.

The kind of business in which one is engaged also has a very direct bearing on the amount of emergency buying that is advisable. From our own experience, for instance, we find that it is necessary to employ emergency buying much more on our oil producing properties than at our manufacturing

plants. The requirements of the manufacturing plants are more predictable.

Last, the facilities that vendors have provided for serving the prop-

erties for which you buy have a considerable bearing.

If emergency buying is to be used to any considerable extent, it will probably be found advisable to

provide a separate form to be used for emergency orders. Anyone who has studied the situation will concur that it is not good practice to  
*Continued on page 39*

## RECIPROCITY

**H. T. LEWIS, Professor of Marketing**

**Graduate School of Business Administration, Harvard University**

**R**EciprocitY is not primarily a purchasing problem; it is not a sales problem. In last analysis it is a management problem.

It is the job of management to operate a business so as to make a profit. The task is complicated and difficult. The problems range all the way from income tax to bank loans, from standard costs to company unions, from machine operation to advertising layout. Furthermore, things are not always what they seem, and the real issue may easily lie hidden beneath a surface problem. Thus, what may appear to be a labor question may in reality be one of plant location. Management therefore has the most difficult of all jobs, that of coordinating the work of all its departments (any one of which should be willing to sacrifice something in the larger interests of the whole) so as to marshal the firm's resources of money, men, and machines in order to secure the largest possible net profit in the long run.

Where does reciprocity fit into all this? One reason why it becomes a management question is because it affects so many different departments. It affects sales, obviously, and for equally obvious reasons it affects purchasing. It may well require some modifications in the accounting department's system of keeping records. The production department is concerned with dependability and hence with the selection of a supplier, because inferior material or delayed deliveries may well prove costly. Even the legal department

may become involved, as some of our railways learned not long since.

Management can build an excellent case for reciprocity. I waive those instances, real or fancied (and both exist) when a company practices reciprocity because it is forced to do so in order to survive. When the pressure is actually as great as this, there then is no real issue to debate.

But reciprocity may be practiced from choice rather than from necessity. And why not? After all, reciprocity means that my sales department gets some business that it might not otherwise have, and if care is exercised in the handling thereof, it should be profitable business.

"But," some purchasing officer says, "my purchasing department often has to pay a higher price for the material we buy. My company's real profit on the transaction is less than appears in the sales records because part of the cost of getting this business has been charged to me." This may be true. But as a management question the whole issue is one of comparative cost. Thus, to add \$1,000 to the cost of material purchased in return for a sales order on which the profit would otherwise have been \$1,500 will cut the actual net return to \$500. But there is still a profit of \$500 on a sale that might not otherwise have been made at all, to say nothing of the additional volume over which to spread overhead costs.

*Continued on page 42*

## DISTRICT No. 4



Louis Terri

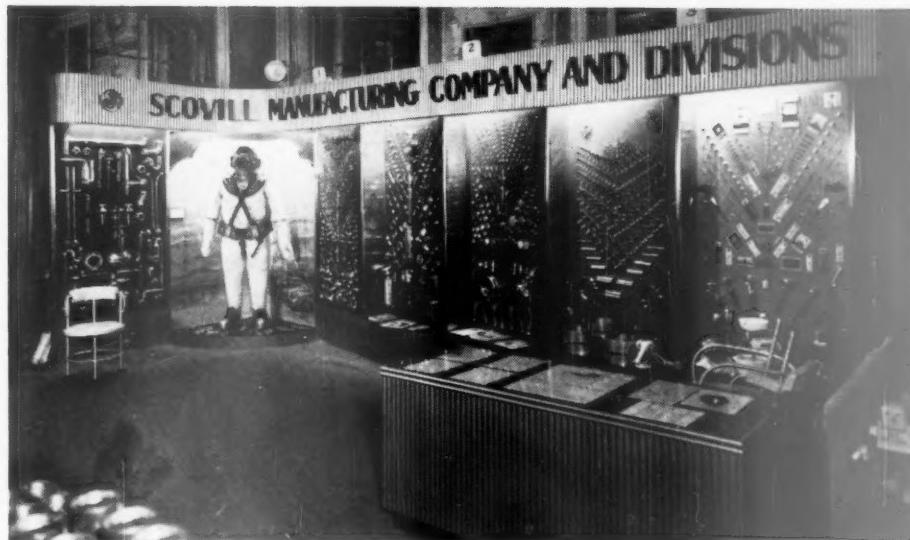
**G. B. TUTHILL**  
Elkhart

**G**UY B. TUTHILL of C. G. Conn, Ltd., Elkhart, Indiana, and the South Bend Association, is the new Vice President for District 4. No stranger to Executive Committee deliberations, he has an excellent record of service in association work, national and local, and is also an officer of his company. The Register of American Manufacturers curiously lists the products of his organization as bugles, clarinets and musical instruments, which sounds like a mean commentary on Conn bugles and clarinets. But Mr. Tuthill has convincingly demonstrated that he is in tune with progressive purchasing and ready to work harmoniously with his fellow board members. He succeeds Raymond E. Flynn of the Union Trust Company, Detroit.

# AT THE INFORM-A-SHOW



ABOVE: Youngstown Sheet & Tube Company exhibit, voted the most informative booth at the show.



RIGHT: Scovill Manufacturing Company, voted the most attractive exhibit.

BELOW: Acme Steel Company  
Socony-Vacuum Oil Co.  
Wallace Barnes Company



# THE ETERNAL TRIANGLE

## The Effect of National and International Governmental Policies on Business Trends and Commodity Prices



A discussion of the subject from three fundamental viewpoints as presented at the twentieth anniversary convention of the National Association of Purchasing Agents, New York, May 20, 1935.

### WE HOPE . . . . .

**Spokesman for the Government**  
**HON. JOHN DICKINSON**  
Assistant Secretary of Commerce  
Washington

IT may be that there are ample grounds for quarrelling as to whether or not the course that was pursued by government, and by business in cooperation with government, was, from the standpoint of hindsight, the soundest course that might have been selected. Whatever our views may be however on that question, there is no good reason for failing to recognize that the course which was pursued has resulted in a measure of recovery which stands out on the face of the figures and which for the country as a whole is apparent to anyone who visits the different sections. Some leading industries are still in a very depressed condition, due in great measure to their own peculiar problems, but by right means or wrong means, the country as a whole is in so much better a condition today than in the early part of 1933 that we should all of us, those in government, as well as those in business, take the utmost care that nothing that we now do shall operate to reverse the progress which has been made.

During that interval, the index of industrial activity as a whole has shown an increase of fifty per cent. Profits for the group of corporations publishing annual reports rose from minus 2.5% in 1932 to plus 2.5% in 1933 and 4.5% in 1934, while the number of business failures among small, as well as large, concerns, has declined from the rate of over a billion dollars a year at the end of 1932 to a rate of only a little over two hundred million, the lowest in many years. Meanwhile, industrial employment has increased from an index of 59 to one of 82, or by 37%, while payrolls increased from an index of 37 in March 1933 to an index of 69 in February 1935.

The charge is frequently made that price increases have kept the individual worker from receiving any benefit as a result of wage increases and that consequently there has been no general improvement in the purchasing power available to absorb the products of industry. Even if this were the case, it would still be true that for every one hundred workers employed today on terms as good as in March 1933, there would be thirty-seven additional workers employed on those terms who were not at work at all in March 1933. This in itself would be a noteworthy gain, not merely for the workers, but for the industries whose products they buy.

*Continued on page 38*

### WE FEAR . . . . .

**Spokesman for Industry**  
**CHARLES R. HOOK**  
President, American Rolling Mill Co.  
Middletown, Ohio

CONFIDENCE is the base upon which is built all sound and satisfactory business and human relationships. Any act or proposal of government which creates a spirit of fear, doubt and uncertainty as to the future, destroys confidence and stops the exchange of goods and services.

General Johnson in a recent address said: "Business might get much better if it were relieved of uncertainty. It ought to be relieved of that. The present fear is supposed to be the share-the-wealth, fiat money and other bugaboos. To the extent that they threaten our existing system, they are holding back recovery. I don't think any of these threats are really dangerous, but I do think they ought to be set at rest by a forthright repudiation of them by the Administration."

Business has been accused by government in this country of being widely divided, that it has widely varying viewpoints on major national problems. This is not a fact—it is wholly incorrect.

To those who make the claim that there is no united business viewpoint with respect to major problems, I respectfully call their attention to the remarkable degree of uniformity of ideas in:

(1) The Platform adopted by the National Association of Manufacturers' Congress of American Industry last December, following its advance consideration by industrial organizations with 57,000 members;

(2) The declarations adopted at the White Sulphur meeting of the Joint Busi-

*Continued on page 40*

## DISTRICT No. 5



Louis Terri

J. G. BRODERICK  
Hamilton

THE purchasing agents of the Dominion selected J. G. Broderick of the Otis-Fensom Elevator Company, Hamilton, Ontario, to represent them as Vice President for District 5. An active worker and leader in the Hamilton group and in the Canadian Council, Mr. Broderick is ably fitted to take up the Executive Committee post from which Fred Lucas of Toronto this year stepped into the N.A.P.A. presidency.

## WE PREDICT . . .

### Spokesman for Finance

DR. E. W. KEMMERER

Walker Professor of International Finance  
Princeton University

WHAT is likely to be the trend of commodity prices during the next few years? The factors in this problem are so numerous and so complicated and among them unpredictable political forces loom so large that anything like a definitely timed and quantitative answer to the question would be rash. Some light, however, may perhaps be thrown upon the answer by considering, on the basis of certain assumptions, a few of the probable consequences of the monetary forces that are now in operation. To simplify the discussion I shall first assume that the United States will continue on the gold standard in essentially its present form.

Under existing law and executive order, the price of gold in the United States is fixed at \$35 an ounce. This means that one paper dollar is declared to be equivalent in value to 13.71 grains of gold. So long as the Government maintains the paper money price of gold at this figure, it will obviously maintain the gold value of the paper money at this figure. This is a mere mathematical relationship and to state it is like saying that a foot will always be twelve inches long. Although the price of gold will not change so long as these conditions are maintained, the value of gold or its purchasing power over commodities, which is an entirely different thing, will be continually changing.

There are in circulation in the United States about 5½ billion dollars which consist of various kinds of paper money and of coins of silver, nickel and copper, all of which the National Government is obliged by law to maintain at a

parity with gold. Over 90 per cent, however, of our total volume of business in the United States, which in a normal, prosperous year amounts to something like a trillion dollars, is performed by bank deposits circulating by means of bank checks, that is, by so-called "deposit currency." In normally prosperous times our bank deposits amounted to over \$50 billion, of which about \$25 billion were payable by check, and this volume of checking deposits circulated, through check payments, on an average about 50 times a year. Yet the value of every dollar of our paper money and the value of every dollar payable by bank check by which our enormous volume of business is effected is, under the gold standard, equal to the value of a gold dollar, namely, at the present time, to the value of 13.71 grains of gold.

Anything that affects the value (i.e., the purchasing power) of gold in the world affects the value of the gold dollar in which all this business is done and in which all of our debt obligations are expressed, carried and paid. If the supply of gold thrown on the world's markets relative to the demand increases, gold depreciates and commodity prices in all gold standard countries rise; and if the world demand for gold increases more rapidly than the world's supply of gold, gold appreciates, namely, goes up in value in comparison with goods and prices fall.

If the value or purchasing power of gold in the world's free gold markets remains where it was in February 1933 and approximately where it is today, the cost of living will tend to be 69 per cent higher than it was in February 1933, which would be approximately 48 per cent above what it is today. On the same assumption, wholesale prices would be 28 per cent higher than they are today. If, however, as seems more likely, the value of gold depreciates again to its 1926 level after the present worldwide

*Continued on page 45*

# HOW COMMODITY MARKETS REACT TO GOVERNMENTAL POLICIES

**T**HE general convention theme—"The Effect of National and International Governmental Policies on Business Trends and Commodity Prices"—which was discussed from various general viewpoints at the opening convention session (See page 20) was traced into the field of specific commodity markets and related groups in a series of practical discussions on Monday afternoon, May 20, and Wednesday morning, May 22.

## NON-FERROUS METALS

C. S. J. Trench, editor of the *American Metal Market*, spoke first of the silver policy, which has brought the price up from 25¢ to 77¢ an ounce in two years.

"I shall not enter into any argument whether silver is, or is not, worth \$1.29 an ounce—as money—but would state the opinion that it certainly is not worth that as a commercial commodity, as we shall some time discover if we are ever obliged to sell. But perhaps this will be the one case where a corner is successful through the ability of the buyer to find a use for his acquisition at or above the price he paid. Those who corner markets are usually put to the task of trying to cash in on their holdings, but in the case of silver the Government may simply decree that its silver is cash. The producers of silver bearing ores have welcomed the purchase of silver at constantly advancing prices, for it has helped to sweeten the scanty profits that could be realized from the baser metals, copper, lead and zinc. These other metals have lagged far behind silver."

## OILS AND FATS

Wallace A. Brindley of E. A. Pierce & Company rehearsed the government program of cotton crop

restriction and slaughter of livestock. It took about a year to show any reduction in the large available supplies. Then, as prices started to rise, drought conditions exaggerated the effects of the government restriction program.

"Cottonseed oil advanced about seven cents per pound. Cottonseed, which had sold as low as \$8 to \$9 per ton, advanced to as high as \$50 per ton. Cottonseed meal advanced. Cottonseed hulls, which were thrown away and burned a year earlier, reached \$14 per ton and it is now said that cottonseed is the

most valuable seed crop both from standpoint of value and usage. The general advance in all oils and fats throughout the world ranged from approximately 150 per cent to 300 per cent from the extreme low prices. The rest of the world had somewhat more oil and oil seeds than they needed immediately and so increased their seed crushing and shipped edible vegetable oils to this country. The market receded under the weight of the imports. However, the United States is a very large consumer of oils and fats and with a further curtailment of cotton production anticipated this year and livestock numbers greatly reduced, appearances are that it will be some while before stocks can be built up again, so oils and fats must be imported."

## HEAVY CHEMICALS

E. M. Allen, President of Mathieson Alkali Works, decried the effect of inflation, reciprocal trade treaties, and vast expenditures on immature work relief plans, as generally unsettling and prejudicial to industry.

Specifically he cited heavily increased labor and container costs as contributing to an advancing price trend in the chemical industries, predicted a broad swing upward as justifying increased inventories, and advocated contract provisions permitting monthly price adjustments.

## FOODSTUFFS

Dr. Louis H. Bean, Economic Adviser to the A.A.A., summarized price developments in the food industries, and credited governmental policies with promoting a more orderly course.

"Food prices have been lifted in the past two years partly by government policies, partly by nature;

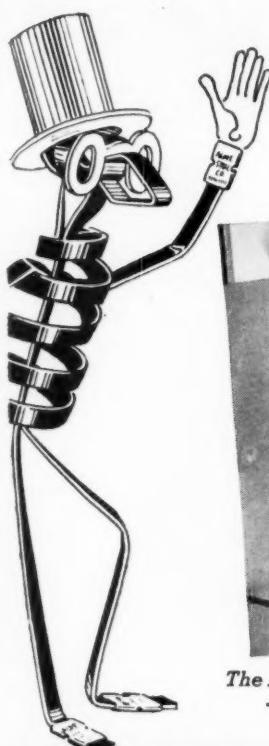
## DISTRICT No. 6



Louis Terri

HARRY FENNER  
Cincinnati

**H**ARRY FENNER of The Cincinnati Shaper Company takes over the reins as N.A.P.A. Vice President for District No. 6—Ohio and Western Pennsylvania. The confidence of his fellow buyers is readily understandable by a glance at his record of consistent and able service as committeeman, director and officer of the Cincinnati Association for many years past. He succeeds H. N. Williams of the Scott & Fetzer Company, Cleveland.



## I MADE A LOT OF NEW FRIENDS— AND SAW A LOT OF OLD ONES



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—where old Doc Steelstrap, the builder-upper  
of package efficiency, held forth.*

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*Doc. Steelstrap*

the present level of food prices, while relatively high, has been restored more nearly to its pre-depression relation to other commodity prices and to the general cost of living; because of the drought, there now exists an unbalanced relationship between the major groups of prices in the general list of food prices; over the next year or two, food prices would tend to weaken unless supported by further improvement in domestic demand, for nature is likely to be more bountiful and the Agricultural Adjustment programs directed toward balanced production for adequate domestic consumption. A program of this sort would mean farm production in line with population growth but industrial production restored at least to the level and rate of growth of the pre-depression years.

"The untangling of the effects of the 1934 drought from the effects of the orderly adjustment pro-

grams contemplated by the AAA for 1934 will probably remain good sport for future economists, Ph.D's and politicians—with results that may not repay the labor. In some cases, effects may be looked for where none may exist. For example, in searching for the governmental cause of the present relatively high prices of meats, it may be entirely overlooked that had there been no AAA adjustment programs, practically the same relatively high prices would now prevail."

### TEXTILES

A. W. Zelomek, President of the International Statistical Bureau and Consulting Economist for the Fairechild Publications, summarized the efforts of major governmental policies in the textile industry.

Results of the 12 cent government loan on cotton:

(1) It has tended to increase foreign production of cotton to the

highest level in recent years, and this has been encouraged largely by foreign government subsidies, particularly in South America.

(2) It is tending to shift the market control of cotton from this country to Liverpool.

(3) It is encouraging a replacement of spinning machinery designed for American cotton by spindles that may be used for the foreign staples. This will make it more difficult for us to recover ultimately our cotton markets.

(4) It is tending to eliminate thousands of individuals who heretofore had served the industry, such as merchants, shippers, compressors, handlers, ginners, etc.

(5) It has encouraged nationalism abroad through foreign quotas, such as are already evident in Italy and Germany, and are strongly spoken of in Japan.

(6) It has placed cotton in a less favorable competitive position from

*Continued on page 44*

# COAL MARKETING

JAMES WALTER CARTER, President

Carter Coal Company, New York

**T**HE original Coal Code which undertook to regulate the producers of bituminous coal sought to establish and preserve, not only in theory, but in fact, fair competition. This Code provided for the fixing of minimum prices F.O.B.

## DISTRICT No. 7



W. M. KERRICK  
Louisville

**D**ISTRICT NO. 7, embracing the New Industrial South, is to a large extent a tribute to the vision, energy and leadership of W. M. (Bill) Kerrick of The Mengel Company, Louisville, Kentucky. Active in the organization of the local group and effecting its affiliation with the National Association, he has worked tirelessly in the development of a strong district, and it is natural that his colleagues in purchasing should turn to him as their representative in national affairs. He returns to the Executive Committee this year to serve his fourth term as Vice President, succeeding R. J. Preis of the Whitney National Bank, New Orleans, who will find plenty to keep him busy preparing for the 1936 N.A.P.A. convention in his city.

the mines by local Code Authorities in the various geographical divisions of the industry. Under this Code, as originally drafted, the industry achieved a degree of prosperity through cooperative action that it had not previously enjoyed for many years.

Some of those having to do with the administration of the even then extensive machinery of the Code Bureaus and Commissions became, and I believe sincerely, imbued with the idea that competition within the industry was dangerous to the maintenance of its newly achieved prosperity, and forthwith determined that all competition within the industry should be eliminated. The magic formula by which this was to be done was so-called price correlation. The complexity of the matter offered a perfect field for the development of a large bureaucracy. Let me illustrate this by citing that in Division No. 1 (one of the five Divisions set up under the Bituminous Coal Code) there are approximately 27,000 different sizes and grades of coal, with respect to which the sponsors of the price correlation theory aspired to achieve a perfect price relationship.

As may be imagined, securing the voluntary adoption, by all the producers and their customers concerned, of the prices so "correlated" was not easy, and so the advocates of the theory naturally passed to the next step, namely *compulsory* price correlation. It was argued that unless there should be a forced correlation of prices on a national scale, prices and wages would collapse.

Despite the adoption of Code amendments for price correlation, there soon began talk of another emergency confronting the industry, that prices were not being observed, and that something must

again be done to save the industry. Some believed that the Government itself should fix prices, and that the bureaucratic machine should secure greater power to compel obedience to its dictation. It is my opinion that the NRA Administration had already so directed its agencies that as a practical matter it had engaged in price fixing for the Bituminous Coal Industry for several months. The cry, therefore, for price fixing by the Federal Government was in

*Continued on next page*

## DISTRICT No. 8



HARRY ROWBOTHAM  
Philadelphia

**H**ARRY A. ROWBOTHAM of the Belmont Iron Works, Philadelphia, doesn't spend all of his time on the fairways and greens, but has kept his strokes working well enough to bag the N.A.P.A. golf championship for several years, and it required an extra play-off round at Baltusrol to lift his crown this year and take the cup to Providence. Perhaps he was distracted by his new responsibilities as Vice President for District No. 8 and as financial officer of the new Executive Committee. He succeeds George S. Frank of Cornell University, Ithaca, N. Y.

## DISTRICT No. 9



J. M. BROWN  
Hartford

**J.** M. BROWN, Purchasing Agent of Veeder-Root, Inc., Hartford, Connecticut, is the new Vice President for New England's District No. 9. He is a past president of the Connecticut Association, and brings an optimistic enthusiasm to his new assignment. He succeeds Ralph G. Waite of the Chemical Paper Manufacturing Company, Holyoke, Mass.

my opinion little more than an appeal for public recognition of an existing practice.

I believe that this is a dangerous trend, not only from the point of view of the producer but from that of the consumer as well. Government should interfere as little as possible with the direct conduct of private enterprise, and should now withdraw wherever possible from such activities, in order that private individuals may again assume the full responsibility for their commercial ventures.

The problems that confront the coal industry today are well known. There exists a capacity to produce greater tonnages of coal than existing markets are ready or willing to consume. This is a condition not peculiar to the Bituminous Coal

*Continued on page 32*

"We'd just as soon go back to the old letter-press



as do without Voice Writing . . .



because our dictators gained  
970 days in a single year!"

(FROM EDISON RECORDS OF THE WORLD'S BUSINESS)

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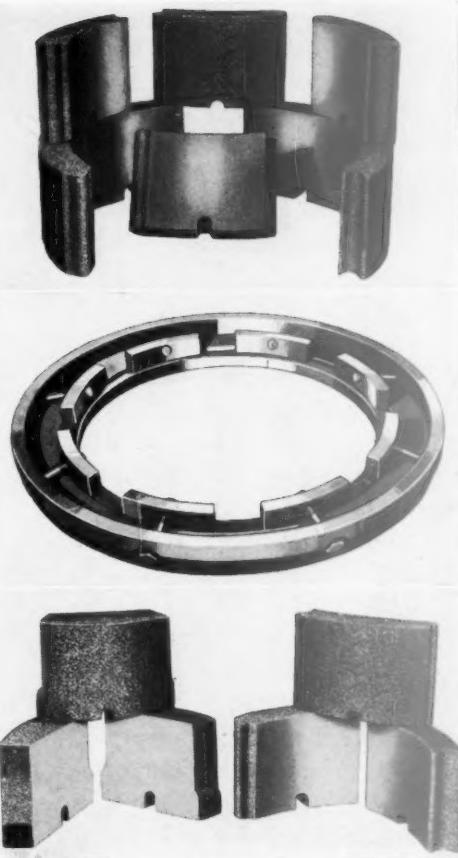
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**STERLING** **ABRASIVES**

# BUSINESS BOOK OF THE MONTH

**Inflation is a fact. What does it mean  
in terms of practical business policy?**

**I**T is the most elementary principle of common sense that success in any field of endeavor depends on familiarity with the rules.

Purchasing executives whose experience extends back over a span of two decades or so have found it necessary to adjust their policies and technique to many successive and widely different situations—the feverish sellers' market of wartime and the post-war boom, the recession of 1920-21, the period of expansion and New Era prosperity, the crash of 1929 and the ensuing years of depression, the era of code restrictions, and now the uncharted situation of June 1935 and beyond.

It has been customary to assert, with a certain smugness, that the eternal, immutable and unrepealable dictates of economic law provide an infallible guide to business policy, at least in the long run. But individual business enterprise isn't altogether a long run proposition. The statistics of business failures are eloquent testimony to the fact that it may be a very short run indeed. Profit, the goal of business, is an immediate and not a continuing factor.

For some unexplainable reason, the word "opportunist" is popularly used as a term of reproach. Yet in this rapidly changing scene, it is only the opportunist, with the intelligence, the courage, and the flexibility to trim his course in accordance with new developments, who has kept his company in a consistently sound and solvent position.

And this applies to every one of the various phases of management, including purchasing.

Furthermore, there sometimes seems to be a problem of compliance even in the case of economic laws. Within the past few years, a number of excellent and thoughtful treatises have been published leading us to think in terms of "the economics of plenty," "the economics of want," "the economics of depression," "the economics of the New Deal," and so on at considerable length, as if there were many alternative sets of rules to be selected or evoked at will. Such indeed is apparently the belief of most of the panacea peddlers and the basis for even some of the serious governmental efforts to remould the economic scene.

#### CIRCUMSTANCES ALTER CASES

But it is far from an accurate statement. The fact is, rather, that conditions of want (natural or artificially induced) or of plenty, the psychological elements attendant upon boom time and depression, and new business legislation, introduce a variety of modifying factors that help to determine, for the time being, the probable extent and direction of the economic forces.

"The Economics of Inflation" clearly states this position in the opening sentence. It is an attempt to relate inflation (a financial policy) to the body of fundamental economic theory and to designate

**THE ECONOMICS OF INFLATION—  
The Basis of Contemporary American Monetary Policy.** By H. Parker Willis and John M. Chapman, Professor and Assistant Professor of Banking, Columbia University; supplemented by essays on specific phases of the subject by thirteen additional authors. Prepared under the auspices of the Columbia University Council for Research in the Social Sciences. Published by Columbia University Press, New York. 443 pages. Price \$4.50.

the considerations that govern. The subtitle, "The Basis of Contemporary American Monetary Policy" points to the timeliness of the study. For of all the factors that will influence the course of economic development over the period which lies ahead, this is one of the most potent, and the business man, investor, or purchasing agent who hopes to contend successfully under these conditions, to build up adequate defenses and to capitalize opportunities, must be armed with something more in the way of information than slogans, headlines, and a hazy recollection of what happened to the German mark.

Inflation in this country is no longer a fear; it is a fact. It is, moreover, a policy to which the present Administration is definitely committed, as evidenced by the devaluation of the dollar and the announced objective of higher price levels. The reluctance to "enter" upon an inflationary program to finance the soldiers' bonus is primarily a matter of degree and a detail of application, an effort to keep a measure of control over a policy that has in the past been recklessly self-accelerating.

Being a fact, it must receive due consideration in the formulation of any business plans and policies. Its essential character, causes and results, the probable course of developments under such a policy, are vital to every management and executive. And for this reason the comprehensive and scholarly pres-

entation of Professors Willis and Chapman, documented with a thorough review of what has happened in previous experiments with inflation here and abroad (for the idea did not originate with the New Deal) is probably the most important, and even essential, contribution to business literature that has appeared in many months.

This discussion is eminently realistic and practical. The authors' considered opinion and impressive evidence that inflation is generally undesirable and does not in any real sense achieve the objectives hoped for when such a policy is adopted, that it tends to curtail trade, both domestic and foreign—all this does not lead them into a course of mere argument and denunciation. The situation is here; so long as it persists, let's find out all we can about it in order to conduct ourselves most wisely.

To generalize, the indicated technique is largely defensive. The more normal goal of profits shown in greater financial balances and the cash dividends loses its significance as monetary values shrink and "real" values in goods and equipment are enhanced. It is something like the old "nullo" bid in auction bridge, when the object of the game was suddenly reversed and you strove to force your opponents to take and hold the tricks that would ordinarily represent a winning score.

It is not altogether as simple as that, of course. The subject has many ramifications. It affects banking and finance, agriculture, commodity prices, security values and returns, net income and its distribution, purchasing power, production costs, the structure of capital and the means of production, exchange and foreign trade. The interplay of these various interests produces more complex reactions, all of which have an important bearing upon even that restricted view of the problem concerned primarily with business and industrial operations, and especially with the purchasing function.

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Certain principles and experiences emerge from the study that are worthy of more detailed consideration by the purchasing executive. A few of these may be suggested here.

### 1. SPECULATION

The general price tendency during a period of inflation is upward, and this, as every buyer knows, means a time for larger purchases and commitments. But the rate of that price advance is likely to be so accelerated that a normal buying program fails to cope with the situation. Moreover, markets for goods appear to be less predictable under such circumstances, which introduces new elements of risk and leads to a highly speculative state of mind even among normally conservative operators. Business that could be profitably geared to a stable price level in its purchases and sales, or to a slowly rising price curve, lacks the assurance and the scientific basis for reasonable and orderly adjustment.

The result is speculation, both in the mental sense as contrasted with reasoned calculation, and in the active sense as expressed in actual business transactions. The technique of speculative buying differs in many respects from the science of purchasing developed over the past decade. Buying has been accepted as a conservative calling. Now it becomes less an art of spending and more of investing.

### 2. INVENTORIES

Inventory profits begin to accrue with increasing rapidity. Replacement values mount. The accepted principle of minimum stocks and deferred purchases not only spells lost opportunity but begins to involve drastic penalties. Rapid conversion of financial assets and current collections into materials and supplies becomes a pressing responsibility. Maintenance of nicely balanced stocks is less important than intelligent attention and shrewd selection of those portions of stock inventory as seem, from time to

time, likely to advance more rapidly than others in value.

Larger inventories increase the risks of obsolescence; and, in relation to the greater monetary investment represented, as well as to the success and duration of the inflationary policy and finding an outlet for the goods, they increase the risks of subsequent depreciation.

The problem of inventory turnover vs. accumulation of inventory profits is also raised. Increases of stockroom values caused by inflation are after all merely paper profits, unrealized. Turnover means reinvestment at the higher level, and the successive profit-taking transactions must represent a margin wider than the increase in value of goods in order to show any real advantage. On the other hand, the simple process of writing up inventory values to show a profit by accretion is not a process of manufacturing and merchandising, and it may involve the relinquishment of markets and position in the trade and the loss of organization.

### 3. MARKETS

These operating considerations are tempered by the marketing problem. Rising prices induce consumer reluctance to buy, particularly when buying power is being generally curtailed and income is undergoing a process of reallocation. Dealers are close to this situation and sensitive to it. Their risk, in carrying stocks of goods, is increased to this extent and they are further faced by the necessity of higher investment to maintain a stock comparable in size and variety to that held under other circumstances.

Inflation is frequently assumed to be a ready means of stimulating foreign trade as currency exchanges decline. Experience indicates that it generally results in exactly the reverse direction. In country after country, exports have fallen off following devaluation, whereas in times of deep depression and firmly maintained currency a much more favorable show-

ing is reported. The action of France in 1926, when the franc was stabilized at a rate below its internal purchasing power, is another striking example.

### 4. CREDITS

Inflation works to the benefit of the debtor. Businesses operated on borrowed money are likely to profit since in repaying a loan they are frequently called upon to give back a substantially smaller real value than that represented by the same dollar value at the time the loan was negotiated. But by the same reasoning it becomes advisable to press collections in order to convert outstanding credit into goods at the earliest possible opportunity.

Historically, the cash discount is a creature of inflation, an extra inducement to prompt settlement of obligations. A major purchasing opportunity may develop in the negotiation of favorable terms. That tendency, already apparent until it was checked by code requirements for uniform practice in many industries, is likely to reappear now that code restrictions have been withdrawn.

### WHAT TO DO?

These are but a few of the considerations which must enter into the formulation of a management and purchasing policy over the period just ahead. Cited thus briefly, they seem baldly academic, which is unfair to Messrs. Willis and Chapman and their colleagues, whose study is supported with the factual summary of what has happened whenever this policy has been accepted, and with the whole broad economic background to explain why such developments have ensued.

Inflation is a philosophy of great expectations—whether of hope or of desperation depends on your point of view. That these expectations have been so frequently unrealized in the past is the cause of much economic unrest and tragedy. Better far to expect what is actually likely to happen and to chart a business course accordingly.

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## COAL MARKETING

*Continued from page 25*

Industry. The only plausible solution of the problem appears to be in a reduction of productive capacity within the industry to a level approaching the existing consumer demand.

The second problem confronting the coal industry is to devise methods of operation that will enable the industry to sell its products at lower prices in order that it may compete upon more nearly even terms with competing fuels and forms of energy. If economic laws were allowed to function freely, the forces of competition would eventually eliminate all marginal units, leaving in operation only those mines required for the production at the lowest possible cost of the tonnages of coal for which a consumer demand exists. The working out of such a process would necessitate for the owners of some coal properties a marking down upon

their books of the cost, or imagined value, of their respective plant investments; and for labor, at least during the preliminary competitive period, continual pressure toward lower and lower standards of living.

So far as labor is concerned, no one could humanely desire that the men and women employed by and dependent upon the industry should be subjected to a lowering of their standards of living. It seems obvious and unanswerable that some provision must be made for the protection of these workers, and it would seem that the best sort of protection would be some manner of reasonable statutory maintenance of maximum hours of labor and minimum rates of pay.

There is no reason, however, why similar humane feelings should at this time be lavished upon those who have invested their capital in marginal or surplus plants. There would seem to be no obligation upon the industry or the nation to attempt to salvage for these people

the amounts of their investments, and it would seem that these victims of an unfortunate economic situation should carry by themselves any losses resulting from their own bad investments exactly as would unfortunate investors in any other industry.

One of the things that the coal industry must do before it can achieve the reasonably profitable state it is entitled to enjoy, is to bring about a reduction in the number of units within the industry through combinations and mergers. There is a need for coal companies national in the scope of their operations. At the present time there is much friction in the industry, both among the many small units in the various fields and among the various geographical districts as such. Mergers upon a national scale would result in companies each owning and operating mining properties in all of the important coal producing States and districts. The existence of such companies would, in my opinion, go far to solve the bitter conflicts now engendered by the struggles of local groups to maintain their identities and their competitive positions in the markets they serve.

If there should be formed in this country 25 or 30 large companies owning substantially all of the existing mines and mining properties, there would have been taken a long step towards the maintenance of free competition in the coal industry, accompanied by the possibility of reasonable profits. The grouping under one management of producing units located in every field would enable each Company to compete in every available market with whatever types of coal might be required. Each such Company would, as a practical matter become less interested in particular fields or districts, and would become more interested in producing such coal as might be required from its most efficient and most advantageously located mines. The closing of high cost, uneconomic mines would thus become easier of accomplishment.

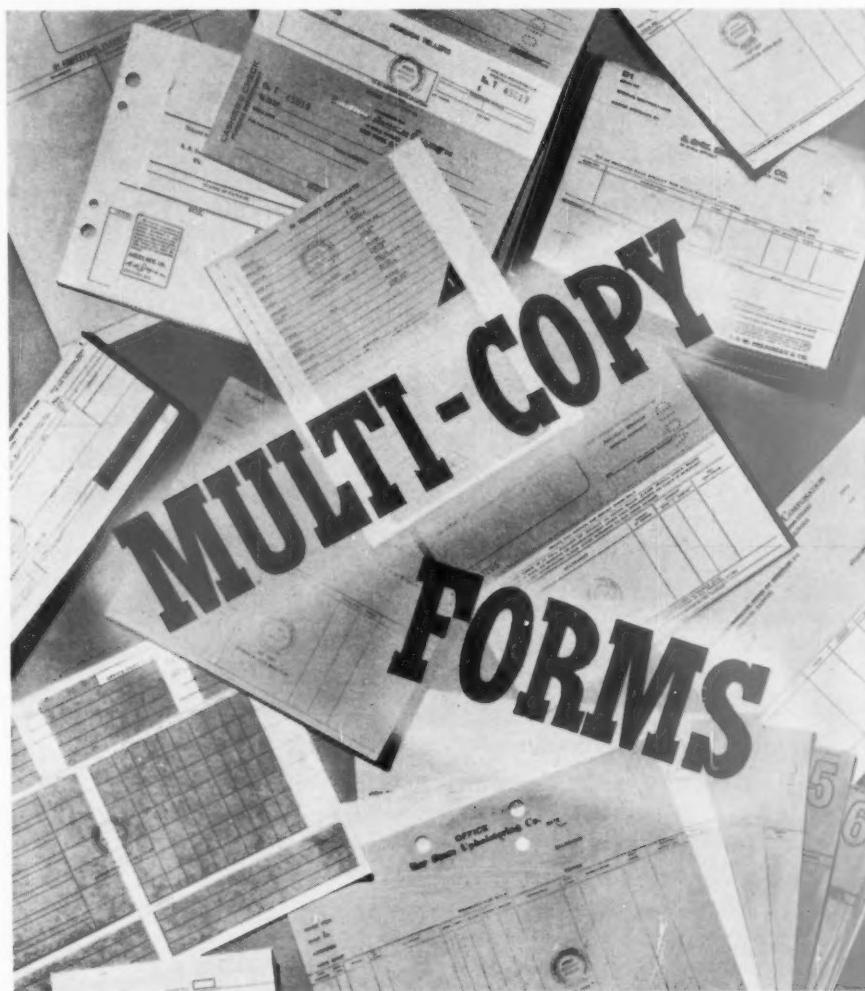
since the necessity that now confronts the owners of such properties to battle for their existence would have passed.

The formation of such companies would also make easier the adjustment of the wage differentials which now incessantly harass not only the producers but also the officials of the miners' unions. I believe it practically possible that by such a program of consolidation and mergers the coal industry can substantially reduce the price of coal, improve its service to consumers, better the quality of its products, maintain or better the earnings of its employees, and at the same time effect such economies in its operations as will enable it to become reasonably profitable for its owners. No bureaucratic machine is necessary to attain these ends. On the contrary, the industry only requires men with those traits of character that have in the past made America a great nation—initiative— inventiveness — industry—and above all courage.

## TRADE LITERATURE

The Hinde & Dauch Paper Company, Sandusky, Ohio, having made great strides in the development of design and color printing on shipping boxes and cartons as an aid to merchandising, have dramatized this theme in a striking card and booklet picturing the carton as an immense billboard proclaiming the contests to the world. Many applications are pictured, including toys, motor oil, beverages, food products, cigars, pottery, etc., indicating how this display opportunity may be realized. Designs which tie in with the characteristic trade-mark features or retail packages and labels are particularly effective.

The American Crayon Company, Sandusky, Ohio, commemorates its 100th anniversary in a handsome special edition of its publication, "Everyday Art," which traces a century of progress in the development of crayons and marking materials for commerce and industry, school and home. It is a far cry from the first crude cylinders of powdered chalk to the specialized products now available for each specific purpose, and this development is graphically described and portrayed.



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**Nogas**

**Oleum**

**Phosphate of Soda**

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**Potassium Silicate Solution**

**Sal Ammoniac**

**Salt Cake**

**Sherardizing Zinc**

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## TRADE NOTICES

E. W. Langdon, Manager of the Reinforcing Bar Division of Joseph T. Ryerson & Son, Inc., was recently elected President of the Concrete Reinforcing Steel Institute. This group includes all of the mills selling new billet stock, and rail steel, also jobbers and distributors of reinforcing materials. The Concrete Reinforcing Steel Institute has been organized and has represented the reinforcing industry for the past eight years, bearing the same relation to the reinforcing group as the American Iron and Steel Institute bears to the general steel producing industry.

May & Malone, Inc., for more than 25 years located in Chicago, have removed their headquarters and principal showrooms to the Temple Bar Building, Cincinnati, where greatly increased space and facilities are available. The 1935 edition of the "Red Book" which is familiar to hundreds of purchasing departments, listing 22,000 items of diamonds, watches, jewelry, silverware, leather goods and sporting equipment, is issued from the new address.

National Adhesives Corporation announces the opening of a new plant and laboratory at 735 Battery Street, San Francisco, which more than trebles the capacity of the former Pacific Coast plant, opened eleven years ago.

Production has been started in the new Chicago plant of the Agar Manufacturing Co., corrugated shipping containers, at 5133 West 65th Street.

J. K. Smit & Sons, dealers in industrial diamonds and diamond wheel-trueing tools, have opened a Detroit office and factory at 6400 Tireman Avenue, to serve the automotive industry. A. D. Heath has been appointed district sales manager.

The Foxboro Company, Foxboro, Mass., has been appointed sole distributor for "Commercial" orifice fittings, manufactured by the Commercial Iron Works of Los Angeles.

★ ★ ★

## OBITUARY

EARLE W. GARDNER, 62, Purchasing Agent of the York Ice Machinery Corporation, York, Pa., since 1897, died on May 23rd after an illness of several months. Mr. Gardner was a past president of the Manufacturers Association of York, a past master of White Rose Lodge No. 706 of the Free and Accepted Masons, and a former president of the Lafayette Club.

## Rhode Island Assn. Takes Golf Cup

THE handsome silver trophy put into play this year by the Convention Committee was won by the Rhode Island Association through the consistent play of its representative, W. E. Carroll of the Federal Products Company, Providence. In the regular scheduled tournament play on Wednesday, May 22nd, Mr. Carroll finished all even with Harry Rowbotham of Philadelphia, the defending champion, and went on to win in a play-off match on Thursday. He has merely to repeat his victory in 1936 and 1937 to give the cup a permanent home in Providence.

★ ★ ★

## ATTENDANCE CUP

WHEN Joe Preis of New Orleans, retiring Vice President for District 7, accepted the Utah Attendance Cup on behalf of his association, he took it back home to stay, for similar victories in 1933 and 1934 had already given New Orleans two legs toward permanent possession of the trophy. Following the precedent established by the Utah Association, which had put the trophy into competition after lifting the Rochester cup some years ago, Mr. Preis announced that New Orleans would offer a suitable prize for convention attendee in a contest starting appropriately in his own city in 1936. The association was represented by 45 per cent of its membership, who had travelled 1344 miles to be present at the New York meeting.

★ ★ ★

## TRANSFERRED

C. A. BISHOP, Treasurer of the Anchor Post Fence Company since 1929, and in charge of purchases at the Cleveland factory, has been transferred to Baltimore where he will head the purchasing department, succeeding the late Guy E. Tarbert.



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# THE MARKET PLACE

**A summary of the month's developments in the essential phases of the basic commodity markets**

## SUPPLY

### COAL

Production of both anthracite and bituminous advanced moderately, averages being close to 1934 figures. A good share of this is precautionary, with the prospect of a suspension of operations pending wage agreements. Consumers' stocks are estimated as sufficient for about 40 days.

### COPPER

Refined copper stocks as of May 1 showed an increase of only 300 tons in world supply and a reduction of 17,000 tons in the United States. The curtailment program became effective in part on May 1, with an additional cut on June 1. Some "frozen" stocks, outlawed under the code, are now released to the market.

### COTTON

Cotton planting for 1935 is estimated as approximately 30,480,000 acres, an increase of some 7½% over 1934. Weather conditions have not been favorable, and planting is from one to three weeks behind. The stand is reported fair to poor, but improving and heavily fruited.

### IRON & STEEL

Operations in the steel industry dropped fractionally in the latter half of May, averaging 42.3% on June 1, as compared with 56.1% in 1934. Supplies in the hands of consumers are reported as small.

### LUMBER

Lumber stocks have been reduced 300 million feet since January 1, but are still high. Operations in the Northwest are at a standstill owing to strike conditions.

## DEMAND

Industrial demand continued fair, with only a slight amount of buying for accumulation of stocks, and Lake shipments in good volume.



Domestic buying was restricted to actual needs, and failed by some 4000 tons, or 13%, of taking up the allowable production quota for May. The same apathy extended into June. Foreign demand is better.



Mill operations were curtailed in May, and consumption for the month was the lowest in a decade, except for 1932. Mill stocks are heavy and will probably be liquidated to take inventory losses before new buying starts.

Demand for steel was retarded by uncertainty regarding code status and future developments. Tin plate is the most active division, and a general shift to lighter products is noted. Pig iron purchases are steady, with good third quarter inquiry.

## MARKET

Prices are nominally firm, with an increase announced in the wholesale price for domestic sizes, but rather widespread shading of quotations on steam sizes and a general laxity following the suspension of code marketing provisions.

There has been little effort to undersell the 9c code price, while the industry seeks some new legal basis on which to continue its marketing program. Foreign copper advanced to 8.55 cents, but broke to about 7.90 after the first of June.

Raw cotton prices sagged in May and broke sharply to 11.60 following the adverse ruling on the Governmental recovery program. Textile products, however, held firmly to prevailing levels. A public hearing on the cotton processing tax is scheduled for June 17 at Memphis.

The general list on iron and steel is nominally unchanged, with special mechanical tubing down \$4 per ton. Heavy melting steel scrap at Pittsburgh firmed during May, declining slightly the first week in June.

Demand for lumber was on the whole encouraging, and, though not in great volume, was well above current production levels. Residential construction is improving.

Prices are generally firm and may tend higher with the Pacific Coast producing area temporarily out of the picture. Much of the demand, however, is predicated on low prices.

**SUPPLY****NAVAL STORES**

Receipts of turpentine and rosin at Jacksonville and Savannah are somewhat heavier, and stocks advanced 6% and 1%, respectively.

**DEMAND****MARKET****PAPER**

Stocks of newsprint have been reduced by more than 17%. Canadian exports running well ahead of 1934 and in excess of production.

Seasonal demand is steady, with purchases strictly on a hand-to-mouth basis.

Turpentine, carlots ex dock, held fractionally above 52 cents during May, dropping to 50 cents after June 1. Rosin markets firm, particularly for the pale grades.

**PETROLEUM**

Allowable gasoline production for June was placed at 37,490,000 barrels, an increase of more than a million gallons over May quotas. The announcement was accompanied by an urgent recommendation that gasoline inventories be reduced. The crude oil supply situation is tightening and seems to be under adequate control. Domestic stocks have been materially decreased.

Volume is steady, with wrapping paper in good demand and summer specialties becoming more active.

Ground wood prices are soft; other items firm and unchanged. Trade agreement with Sweden places kraft and sulphite pulp on the free list.



Purchasing of gasoline has been active, and the seasonal increase in consumption is exceeding expectations. Fuel oil demand is sluggish and demand for lubricants is of a routine nature.

The general trend in crude oil has been upward, a 15 cent reduction on Pennsylvania grade being the only major development counter to this trend. Sentiment is buoyant. Motor fuel, both domestic and export, has been marked up fractionally.

**RUBBER**

Statistical reports from the growing countries show production operations at a relatively high rate, with Malayan stocks building up. Domestic stocks are being somewhat reduced and rubber afloat for U. S. ports was smaller in tonnage than for some time past.

Settlement of labor difficulties in automotive plants has improved the outlook for rubber, a factor that was immediately reflected in factory demand. Speculative interest in futures was brisk, December options being most active.

Crude rubber prices advanced during May, going above 12c at about the mid-month and continuing with narrow fluctuations to a high point of 12½c in the final week. There was some reaction early in June, the market tone, however, remaining reasonably firm.

**TIN**

More spot tin has been released to the New York market in recent weeks, and the tightness which has prevailed heretofore is considerably relieved. Warehouse stocks both in London and New York contracted during May. World visible supply is larger. Production quotas may be raised for the third quarter.

Demand is fairly active. Tin plate operations advanced to 85% of capacity, and it seems quite probable that consumption this year may set a new high mark. There is some buying for stock purposes.

Tin prices showed consistent strength during May, continuing the advance noted in the previous month, and reaching 52½ cents, the high for the year, in the closing week. A recession in early June brought the level down again to 51 cents, followed by a fractional recovery.

**ZINC**

Strike conditions in the Tri-State area caused little disturbance in this market and will afford an opportunity for producers to work down top-heavy stocks of ore and concentrates.

Actual consumption has been routine, a few instances of heavy orders being induced by the possibility of shortage due to the strike.

The price of slab zinc advanced in three stages to 4.30 cents per pound during May and is firm at that figure. Ore prices are unchanged.

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### GOVERNMENT PROGRAM

*Continued from page 20*

It is not true, however, that prices have risen so rapidly as to have deprived the individual worker of any advantage. While the employment index was rising, 37%, the increase in payrolls amounted to 86%. This represents an increase of 35% in the per capita remuneration of labor between March 1933 and February 1935, during which

period the cost of living increased by only 15%. That industry was able to stand the strain is shown by the figures for increased profits and decreased business failures, as well as by the great increase in the production index.

In the face of these figures, it is nothing short of futile to claim that no progress has been made.

Production must always be directed to consumption, and if the demand has altered its direction,

it is simply waste to go on producing. There are no doubt directions in which renewed production of capital goods may be economically justified. There is no economic justification, however, for the argument that we should resume production of particular types of capital goods without regard to the economic need for them, simply because the people formerly engaged in making them are now out of work.

Whatever may have been true in the past, the soundest line of advance for the resumption of activity in the capital goods industries is to follow, rather than precede, the improvement which has everywhere been taking place in the consumption goods industries. As these get once more on a sounder basis and come into a better position to expand their plants, or renew their equipment, a solid demand for the products of the capital goods industries is afforded which is very different from the merely speculative demand that has so often in the past led to the expansion of these industries with a consequent destruction of capital and absorption of labor power that will be deprived of employment at the first breath of depression.

We have learned to our cost that the health and progress of industry must depend in the last analysis upon the maintenance of the purchasing power of the consuming public and that in the long run it is the reverse of profitable to engage in speculative ventures which trust blindly to the existence of the purchasing power necessary to sustain them.

A realization of this necessity is perhaps more than anything else necessary for the creation of the business psychology needful to carry us further out of the depression. We do not need a boom psychology. On the contrary, as long as business men continue to think in terms of booms, they will be unwilling to embark on the program of moderate and gradual expansion which the course of events justifies.

## EMERGENCY BUYING

*Continued from page 18*

use the confirming requisition extensively. The emergency order form being designed specifically for the purpose will provide a better record, and consequently a better instrument of control. In fact I consider a good emergency order form the first fundamental step in emergency buying control.

There are a few fundamental points to be kept in mind when designing a form. It should be small in size, convenient for carrying in one's pocket if possible. It should be numbered serially for record and reference. There should be at least an original and two copies; the original for the vendor; the first copy, which is actually a receipt for the material, to be sent to the general office; and the third copy to remain in the possession of the writer of the order for his reference. Thirty to fifty sets should be bound into booklets. The inside of the front cover is an excellent place to have printed the important instructions for proper use of the form.

It can readily be seen that a plan involving so many rules and a considerable degree of responsibility is not to be placed in the hands of everyone in the organization. In fact one of the important factors in the proper control of the emergency buying function is limiting the number of individuals authorized to place orders to as few persons as is practical. Not only should the writing of orders be confined, if possible, to one individual in a district, but he should also be the person best suited to the task. It is needless to say that he should be an individual of sufficient known responsibility to delegate the authority of committing the company to a financial obligation.

The responsibility of committing the company to purchase, however, should not be delegated without certain definite limitations of the extent to which one outside the purchasing department may commit the company. The purchasing agent is in the final analysis re-

sponsible for the spending of the company's money for materials and supplies, whether the purchase is made in his own department or authorized by him to be made by someone outside of his department. He cannot with safety place too much responsibility in those over whom he has only an indirect control. Most companies, if not all, have found it advisable to place a money limit on the amount that may be bought on a single emergency order. In the case of my company, we have placed a \$100.00 limit, and on the face of the order is written in bold type "Not good for purchases of over \$100.00."

In addition to this kind of control, there is the possibility and advisability in certain instances of directing persons making emergency purchases to the proper sources of supply. The instructions may be general or specific. General instructions may direct that certain classes of materials shall be bought from wholesale houses, supply houses, or certain other types of dealers, or they may direct that on certain classes of materials competitive bids shall be secured before placing the order. Specific instructions will direct that certain items of material shall be bought from a definite source.

We issue periodically to our marketing divisions, under the title of "Buyers Guide," definite instructions on the equipment to be bought and the sources of supply. This practice in many cases not only assures the best prices, but also the proper selection of materials or equipment.

In conclusion I want to stress the advisability of a common sense approach to emergency buying problems. It is best to face them, instead of trying to get rid of them; study them, instead of ignoring them; direct them, instead of letting them drift. Do these things with a knowledge of the needs of your company and its functioning as an organization, and you will find a solution that will remove many of the inherent undesirable aspects of emergency buying.

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## BUSINESS VIEWPOINT

*Continued from page 21*

ness Conference for Economic Recovery, and

(3) The resolutions recently adopted by the United States Chamber of Commerce, representing diversified business interests of the country.

All stressed the necessity of government withdrawal from direct competition with private business; the necessity of revival of the durable goods industries; securities legislation which will permit sound industrial financing; economic folly of 30-hour week proposals; disrupting effects of proposals to establish permanent national labor boards to regulate employment relations; opposition to any form of political control of private credit.

Each of the three statements stressed the point that the National Industrial Recovery Act should be amended to provide during an emergency period for purely voluntary codes, with the government to have no power to impose codes. Each agreed that the social security program should be postponed to permit thorough examination and complete public understanding, since its proposals would not assist in relieving present distress.

Business and industry do have a common viewpoint on the fundamental principles involved in major national issues.

The National Association of Manufacturers urged an inquiry into the anti-trust laws for months prior to the time President Hoover sent his message to Congress. They included two suggestions:

1st—A joint committee of the two houses to investigate the operation of the anti-trust act;

2nd—that during the period of investigation the Federal Trade Commission be authorized to receive proposed agreements between competitors and approve the same upon examination and finding that they were not contrary to the public interest. In other words, this would have permitted the conduct of an experiment in the administration of the anti-trust act during the period of inquiry to over-



AT THE INFORM-A-SHOW

come a suspicion and fear that voluntary agreements to regulate conditions of competition among competitors would not result in public injury.

It was more than two years after Mr. Hoover made his suggestion to Congress before there was even a hearing before the House Judiciary Committee to consider the suggestion. This hearing took place February 8th, 1933, at the end of the Hoover Administration. In the Spring of 1933 we find the National Industrial Recovery Act being hurriedly drafted without the thorough investigation and study which should have preceded its formulation and enactment. Result: Confusion and business hesitation, because of the incorporation of false economic philosophy.

Unfortunately it has not been the policy of the Government to call into conferences for advice and counsel while legislation is being formulated vitally affecting business interests, those men—and they are legion—of high character, wide experience, fine intellect, and whose ability has been tested in the hard battle of competition. It is sad, but true that certain of our legislative acts and Government policies give witness to the fact that they were conceived in jealousy and born in hate.

When Federal legislation is drafted, enacted and administered with the idea of protecting indi-

vidual liberty and initiative and the government actually cooperates with honest, constructive business and business men you will see a revival such as we have never witnessed before.

There is no disagreement today by those who have given the subject any consideration whatsoever with respect to the necessity of revival in the durable goods industries if we are to put the great majority of those now unemployed back on jobs in private industry.

Business in general is in complete sympathy with measures drafted for the purpose of protecting the public interest by providing proper punishment for those who fail to honestly administer their trust.

However, in our endeavor to correct evident evil existing in some parts of our business fabric we have enacted reform measures, which, instead of being framed to catch the culprit and leave unharmed the innocent, have been so drafted as to place officers and directors of business corporations and banks in a position which prevent them from attempting the issue and distribution of securities, because of the possibility of fine and even imprisonment, although they may not be guilty of actual or intended misrepresentation.

These excessive and unnecessary liabilities, both criminal and civil,

on directors, officers and major stockholders of corporations in connection with the issuance and registration of securities, imposed by the Securities Act of 1933 and the Securities Exchange Act of 1934, will continue to delay recovery unless the acts are modified.

In my opinion the most disturbing thing confronting industry today is the possibility of the enactment into law of the Wagner Labor Relations Bill, which has already passed the Senate. It will in my opinion affect harmfully the employees to a greater extent than even the employers. The most serious defect in the bill is the fact that contrary to the expressed policy as outlined in Section One it fails to give employees full freedom of choice in selecting their representatives for collective bargaining and does not protect them from coercion, intimidation and abuse, except from the employer.

Senator Wagner at a hearing on his bill introduced in 1934 agreed that the employee should be protected from coercion from any source. Unfortunately, however, this promise is not fulfilled in his present bill.

I predict that if this bill should pass in its present form you will witness unrest and disturbance such as we have never experienced in American industry. If the Senator is honest in his desire to promote peace and harmony then he will amend his bill and provide for the protection of employees against intimidation, coercion and abuse from any source. If he does not, it is *prima facie* evidence that his whole desire is to place the employees of American industry under the domination of national labor unions, which today have less than 10% of our industrial employees as members.

In my opinion, this is the most vicious piece of legislation that has ever passed either branch of our Congress in my lifetime. If this bill should pass there is only one direction in which the trend would go—and that is down.

I have refrained from taking any time to discuss the effect of International governmental policies on business trends because our first consideration must be with respect to our domestic business. In normal times not more than ten per cent of our total volume is represented by export business. In the case of our own company, the percentage of our business represented by our International Corporation is much larger than the average, in fact last year it represented nineteen per cent of our total business, nevertheless we feel our first interest and our first duty is to protect American markets.

I have been asked a good many times in the past two or three years whether I was for free trade or high tariff. I am for neither. I stand for tariffs established after careful study and investigation which will protect American employees and American industry against the competition of products, low in cost because of low European wage levels and standards of living.

Finally, I do not believe we will emerge from our business difficulties and start a permanent upward climb until the attitude in Washington toward business is changed. Doubt, fear and lack of confidence will continue until there is an evident desire to work with business and not in petulant opposition.



## NEW ORLEANS 1936

A SLOGAN that has been enthusiastically urged upon the N.A.P.A. for the past several years, became a reality when the N.A.P.A. Executive Committee accepted the invitation of the New Orleans Association and selected that city as the site of the 1936 convention. The Louisiana group has demonstrated its sincerity and interest in national affairs by consistently carrying off the attendance trophy for three successive years. They insist that as hosts they are even better than as guests.



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Every purchaser of wiping cloths bearing this label receives an affidavit that the cloths so labeled have been thoroly boiled in a solution containing pure soap — 76% Caustic and/or Chloride of Lime, and dried at a temperature of more than 212° Fahrenheit.

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The Institute label not only provides a means of identifying wiping cloths of a specific grade but is the pledge of the shipper as to accuracy of weight.

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The label illustrated indicates that the wiping cloths bearing this label conform to specifications as to size, texture and color of each recognized grade.

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The label provides a means for the purchaser who wants a sterilized wiping cloth of a certain grade whereby he can get what he orders and pays for.

•( Ask for Complete Institute Specifications )•

**The SANITARY INSTITUTE  
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30 W Randolph St., CHICAGO, ILL.

## RECIPROCITY

*Continued from page 18*

Again, if it be urged that any resultant higher purchasing costs should be charged to sales promotion, one reply is that not infrequently this is done.

But the argument may be attacked to be unsound on other grounds, those of inconsistency. Though purchasing agents may not always recognize the fact, it is possible to advance this plea only on one of two premises—to neither of which opponents of reciprocity acquiesce. For the purchasing agent to say that he would have no objection to reciprocity were the additional costs charged to sales can only mean either, on the one hand, that the policy is sound, the only problem being that of placing the charge where it properly belongs, or, on the other hand, that the issue is one to be settled by the sales department alone (or by the sales department and management) and that the purchasing department has no other particular interest in the decision once the costs are properly accounted for.

Finally, it is said that reciprocity leads to friction within a company. The obvious answer is that such a condition is wholly unnecessary. If the sales manager recognizes the limitations of reciprocity and does not undertake to base his entire sales policy on this doctrine, instead using it only as added effort in the same way that he might use some additional advertising or consultative service for the purchaser, and if the purchasing officer as a member of an organization is alive to his cooperative responsibility, a common ground of understanding can be established.

This, then, is the argument for reciprocity. I urge that you consider it seriously upon its merits, and not dismiss it too lightly.

To me, the case against any general use of reciprocity rests on the firm belief that the practice is fundamentally at variance with the

sound principles of either buying or selling. Whatever else may be said and regardless of the form in which the argument may be put, the sale of a product must in last analysis be based on the qualities of the product sold and of the service that may attend the transaction. There is only one permanent basis for a continuing customer-supplier relationship—the conviction on the part of the buyer that the product of a particular seller is the one best adapted to his need and is the best all-round value that is available.

But if it be sound sales policy for one company, it is equally sound for the sales departments of the companies with which we have business relations. In other words, they should be required to sell to us, not on the shifting sands of direct price-cutting, free deals, good fellowship, or fear, but on the firm foundation of a better product at a fair price. And, if it is the business of the purchasing officer to place orders on this last basis, he should not be required by the management of his company to compromise his responsibility in order to aid a sales department that is unable or unwilling to stand on its own feet. The whole issue is not one of encroachment by one department upon the prerogatives of another, but it is one of the essential nature of the two functions.

Reciprocity, even as a sales policy, is pretty dubious business. Though its proponents urge that it can be defended as sound sales promotion, supplementing rather than supplanting more basic sales appeals, I confess to considerable skepticism on this score. Let me quote from an article published in the *Harvard Business Review*:

"That there are certain fallacies in the principle of reciprocity is clearly evident. It is argued, for example, that sales are increased and the market expanded by the use of reciprocal agreements. Such is not the case, except in a few isolated and unusual cases. Reciprocity merely brings about a displacement of sales, i.e., sales to some firms are increased but, at the same time, sales to other firms, are lost, because this practice, by its very nature, involves favoritism to some and

disrimination against others. The obvious result is that those who are discriminated against turn elsewhere for their requirements. Thus the company has robbed Peter to pay Paul, and the market for its products has not been expanded."

And if added evidence be required, let me cite an authority on marketing problems:

"This practice is an example of a type of competition which results in saddling an irritating and potentially wasteful practice on an industry, with little net advantage to buyers or sellers. If one oil company gained a temporary advantage through this practice, that gain was almost certain to be offset by losses elsewhere; for if the company induced purchases by one source on the grounds of reciprocity, it was almost certain to suffer a loss in sales to some previous customer who was impelled by threats of reprisals to purchase a portion of his supplies reciprocally from another oil company. Purchases were split up into smaller lots, but probably few, if any, oil companies increased their total sales by this means. An industry in which such a type of competition prevails obviously has not reached a high plane of marketing practice."

When all other arguments have failed, the defenders of reciprocity rest their case on the assertion that all they are asking for is that where quality, service and price are equal, the customer of the company be given preference. I surmise that no purchasing officer would object to reciprocal buying on this basis. When reciprocity really means this, then the controversy vanishes into thin air—there is nothing left to argue about. But in practice it seldom does. Actually, abuse is practically certain to creep in, and any policy which almost inevitably leads to abuse is open to serious question, quite regardless of the theoretical arguments pro and con.

Finally, it may be pointed out that although the circumstances may not be wholly typical, the experience of certain of our railroads may have both legal as well as economic significance. An attorney for the Federal Trade Commission declared:

Respondents have created and taken advantage of a competitive weapon, oppressive and coercive in nature, which prevents customers, to whom respondents and

their competitors are trying to sell their products, from exercising their free will and judgment in determining which device is the most efficient and will best serve their needs at the lowest net cost over a period of time, and has thus injected an element into the competitive field... which is unfair and abnormal... that will force competitors either to abandon the draft gear field, or to compete by gifts of stock or other valuable considerations to employees of corporations controlling large volumes of traffic unrelated to the draft gear industry, and thus hinder and restrain the freedom of competition in the natural, customary and prevailing channels of trade... The question is raised as to whether the payment of such premiums on purchases is not tantamount to a rebate to the shipper and hence illegal under the Interstate Commerce Act. If a premium is paid as a sop thrown to shippers in an effort to increase competitive traffic, it would appear evident that the practice is in substance, and in fact, a rebate to the shipper. Where it is alleged that the necessity for protecting local sources of supply is real, the practice has a problematical, if not altogether actual, justification from a business standpoint."

This then is the case against reciprocity. To me, it can lead to but one conclusion, that by and large reciprocity is an unsound, if not actually vicious practice.

★ ★ ★

### OKLAHOMA CITY, ST. LOUIS AND DALLAS RING THE BELL

THREE handsome bells, suitably inscribed, were presented at the banquet session to the winners in the 1934-1935 membership contest.

The N.A.P.A. award for largest percentage increase in membership over the quota, among Group I associations (less than 50 members) was won by the Oklahoma City Association.

The N.A.P.A. award in Group II (more than 50 members) went to the St. Louis Association.

A third award, provided by the New England Association for the largest percentage increase over quota, regardless of size and including the period up to May 1st, two months after the expiration of the formal contest, was won by the Dallas Association.

LOOK HERE, JIM—  
CHANGING TO AUTOPOINT HAS CUT  
\$1,400 OFF OUR PENCIL BILL!



## NEW WAY TO BUY PENCILS

**SAVES Hundreds of Dollars in  
Office Expense Each Year!**

**E**ASY! Instead of repeatedly buying wasteful wood pencils, dozens of firms are now buying AUTOPOINTS — and from then on, they have no pencil expense at all except for low-cost leads, which can be used down to the last eighth of an inch. Just any mechanical pencil won't accomplish these economies. It takes AUTOPOINTS, with the patented "Grip-Tip" and trouble-proof, clog-proof, mechanism to cut office pencil bills in half! Firms report cash savings of 41c per employee per year, up to twice that sum. Not merely hundreds but thousands of dollars saved for many firms.

If you didn't visit our booth at the Inform-A-Show write us for facts and figures and real proof of how many dollars AUTOPOINTS can save in your office. You'll also be interested in our

### 37 TESTED SALES PLANS

Send the coupon below. We'll gladly send a representative to figure pencil cost savings for your organization without obligation. Get our book "37 Sales Plans." Tells methods 5000 firms have used in building sales with these pencils.

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1801 Foster Avenue, Chicago, Ill.**



No. 6  
Autopoint  
Used by many  
firms to cut  
pencil costs—  
priced low—  
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pendable.

**Autopoint**  
The Better Pencil

Autopoint Company, Dept. EP-6  
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Send your book "37 Sales Plans," and give me facts and figures on the cash savings AUTOPOINT pencils can make, in my office.

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# Did you kiss the bride?

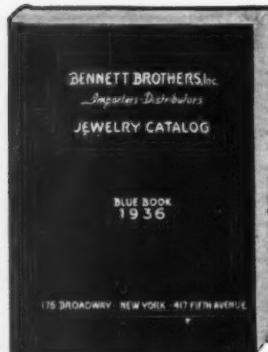
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**BENNETT BROTHERS'**  
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**"BLUE BOOK"**



• Guessing the number of stones in a bottle is SPECULATION



• There's no speculation when you buy from Bennett Brothers' » » »  
BLUE BOOK

• The correct number of stones in the bottle shown at the 1935 N. A. P. A. Informashow was 2460. » » » Remember we are always pleased to cooperate with you in securing Gifts, Prizes, Trophies, and Merchandise suitable for Sales Promotion. » » » A copy of our "BLUE BOOK" will be loaned free upon request. » » » Special inquiries given prompt attention.

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Display Rooms  
UPTOWN DOWNTOWN  
417 Fifth Avenue 175 Broadway at  
at 38th St. Cortlandt St.



AT THE INFORM-A-SHOW

### COMMODITY MARKETS

Continued from page 23

a price standpoint and has thus increased production and consumption of rayon in particular, as well as other possible substitutes.

Results of the processing tax:

- (1) It has increased raw materials costs beyond market value.
- (2) It has encouraged the use of substitutes upon which there is no tax.

(3) It has reduced the buying power of the capital available for purchases of raw cotton, thus making it impossible for consumers to cover in advance. "Hand-to-mouth" buying has resulted.

(4) It has tended to eliminate the carrying charges in the futures market, with the result that buyers are hesitant to make forward commitments.

(5) It has had the effect of intensifying the evils of the textile industry, particularly in making it less profitable to operate. In the course of competition, mills have had to absorb part of the tax.

Results of the NRA Cotton Code:

- (1) It has tended to encourage two shifts, which to some extent has resulted in overproduction.
- (2) It has stimulated efficiency of plants, and thus again accelerated outputs.
- (3) It has raised wage rates and prevented bankruptcy.

(4) Marginal mills were rescued. Now, however, these are on the defensive because all mills are operating on a two-shift basis.

(5) Users of cotton goods, particularly garment manufacturers, have been in constant turmoil.

(6) The increased costs have not restricted the movement of textiles. They have merely tended to bring cotton goods items into more normal alignment with other merchandise of that type.

★ ★ ★

### Model Meeting

THE closing convention session on Thursday morning was cast in the form of an association meeting, indicating the type of program that has been found most interesting and helpful in carrying out the objectives of the Association. Walter Kirkman presided. The welcome to new members afforded an opportunity to restate the aims of association work and the advantages of associated effort. Three speakers discussed current market conditions (W. E. Campbell), the economic outlook (Dr. Lewis H. Haney, See Page 11), and a problem of purchasing policy (Prof. H. T. Lewis, See Page 18). Each address was followed by brief comment and questions from the floor. In conclusion, the newly elected officers were introduced.

## MONETARY OUTLOOK

*Continued from page 21*

scramble for gold subsides — then the cost of living will tend to be 69 per cent higher than it was in 1926, which would be 113 per cent (March 1935 figure) higher than it is today. On the same assumptions, the wholesale commodity price index number of the Bureau of Labor Statistics should be 113 per cent higher than it is today.

These estimates are based upon the conservative assumptions that the world in the future will use gold as its principal monetary standard, that the American gold dollar will be maintained at its present gold content of 13.71 grains of gold, that the value of gold itself will return to its pre-depression level, and that we shall merely "take up the slack" created by the 41 per cent reduction in the gold content of the dollar.

If, however, the Administration in Washington should exercise the option it has under existing law further to reduce the gold content of the dollar from the present "59-cent level" to a "50-cent level," this in itself would tend to raise the figures I have just quoted by a further 18 per cent.

Such figures as these suggest in a rough way the cost of living and wholesale price prospects for the years immediately ahead, on the optimistic assumption that we shall be successful in avoiding a run-away inflation. The prospects would seem to be strong, therefore, that, as a result of the inflationary measures already adopted by the Administration coupled with the depreciation of gold itself which will naturally follow the return flow of gold, after the depression, to its customary monetary and trade channels, the cost of living in the United States will be at least double what it is today; in other words, that we shall probably experience during the next few years a further reduction of at least 50 per cent in the purchasing power of our American dollar.

## BUYING FOR FIELD OPERATIONS

*Continued from page 17*

sidiary properties. Each step in the growth of its activities has been achieved only by convincing the officials of both the management corporation and of the local properties that the step would save money and keep down expenses for the local property. We recently concluded a study of these savings over a period of five years, 1927 to 1931 inclusive. The weighted average percentage saving on the purchases supervised by the central department was 7% for the period. Taken by properties the saving varied from 5.85% to as high as 13.6%.

The natural way to determine the suitability of the commodity is by the adoption of suitable specifications. Our practice has always been to use some

*Continued on page 52*

## "ALL RIGHT, BUT WHY SHOULD I BUY IT?"



**MR. PURCHASING AGENT** — You should buy Olga Coal because of:

Its **QUALITY . . . UNIFORMITY . . . and SERVICE.**

Its quality is shown by its low ash, sulphur, volatile matter and high carbon content. This means high B. T. U. rating and more steam produced per pound of coal burned.

Its uniformity is assured by its being mined from twin mines in one seam of proven quality and uniformity throughout a large acreage.

Its service to you is insured by a production of 9000 tons per day which enables us to fill a large or a small order in one day. Our own offices cover every major industrial section of the country and are ready to give you service.

The best proof of our statements above is the fact that Olga production has trebled during the past three years and is constantly increasing and being disposed of.

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**GENUINE POCOHONTAS  
SMOKELESS COAL**

Produced only by  
**CARTER COAL COMPANY**

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## Vacation Time is here!

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Prepare for your needs  
thru our Luggage and  
Sporting Goods Depts.



### MEN'S GLADSTONE

This Gladstone was created with the thought in mind that each article of apparel should be easily accessible. Note the abundance of pockets, the generous size tie flap and the general roominess. Featured in top grain shark cowhide with drill covered sewed frame, sturdy hardware, post handle and fine quality leatherette lining. Colors black and mahogany. 24 inch.

**\$9.75**

Specially priced at net.....  
*Less 2% for cash*

Ex P. 1103—Black or Mahogany Gladstone



• Equipment  
for all Sports  
furnished at  
Special 1935  
Red Book  
Prices

Ex P. 903—All American. Full oval chamber bow. Especially adapted for fast play. The popular open-throat model is found in the All American. Patented lamination over throat and shoulders. Red, white and blue silk cord trim on shoulders and flake. Two-sided English tapered handle with red butt. Strung with spiral silk strings.

Price, each, net... **\$5.10**  
*Less 2% for cash*

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Name .....

Address .....

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Please send 1935 Red Book Gratis.

## BUYING FUTURES

*Continued from page 14*

means of securing or disposing of the actual commodity, though operations under the last heading are less frequently used.

As to buying or selling for speculation or investment, there are some fundamental differences between securities and commodities. Purchases of securities are usually completed at once by the delivery of certificates. Dealing in commodity futures has been compared to dealing in "when, as and if issued" stock.

Purchases or sales on the commodity futures markets can usually be made for about twelve months forward, although dealings in the more distant months are generally in smaller volume. Dealings in any month may be closed out before maturity and a simultaneous purchase or sale made in a more distant month. This is known as moving commitments forward or "switching." Future months normally carry a premium over nearby months which premium bears some relation to the carrying cost.

Under some conditions, there may be advantages in buying futures rather than the actual commodity. Futures can ordinarily be sold in a world competitive market in a few minutes provided one is operating in an active month. A futures buyer does not need to worry about grading, receiving, storage, insurance, etc., unless he allows his contract to mature.

There may be times when a consumer of textiles, for example, believes that the price of cotton will appreciate. He may not be able to forecast what constructions or types of textiles he will require or may have some other reason for not wanting to buy the actual textiles. Use of the futures market enables him to protect himself on cotton, which cotton futures may be sold out as he covers on the actual textiles.

Hedging, according to one definition, means "betting on both sides so that the possibility of a

loss will be diminished." I mean by hedging, the buying of one commodity or article and the selling of another article or commodity, to minimize the risk.

Hedging has been called price insurance. It is insurance that when the hedge is undone the maker will be in the same relative position with the market as he was when he made the hedge. Hedging is particularly necessary for those handlers or processors of the raw commodity whose charge for handling or processing is small in relation to the cost of the commodity. Unprotected commitments for such handlers or processors can easily result in bankrupting losses on a fluctuating market. The hedge is an attempt to reduce the speculative element in handling commodities to a more manageable proportion of the normal business risk.

By hedging, however, one can only cover fluctuations in the market price of the commodity hedged. The effectiveness of the hedge is limited in manufactured and semi-manufactured items to that portion of the total cost represented by the hedged raw commodity and the effectiveness of the hedge may be nullified by variations in other factors which were impossible to cover with the hedge.

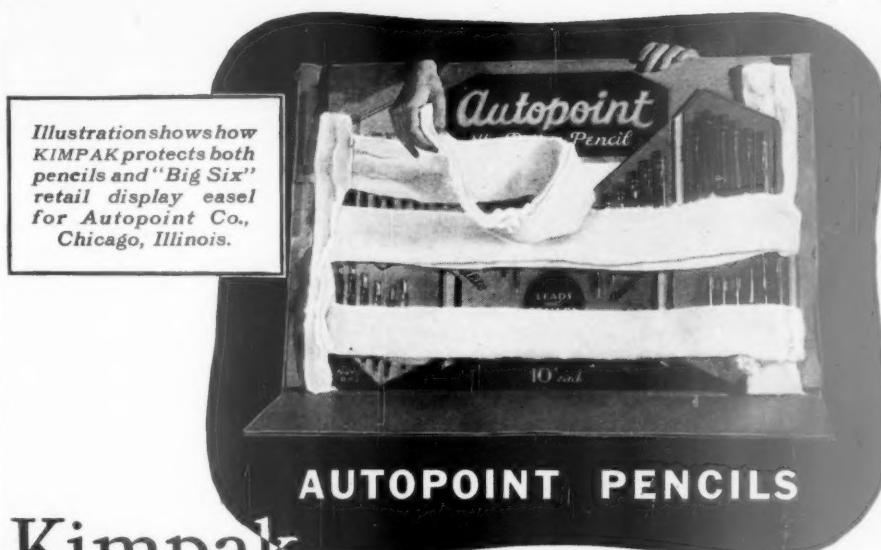
There are many manufacturers who are long of an actual commodity used as their major raw material to a greater extent than would seem safe. The necessity for the long position may be due to the fact that the source of the raw material may be a great distance away, or the manufacturer may require a special quality of material which is available cheaply only during the harvesting or producing season, or the goods may be in process for an extraordinarily long term. As a means of hedging the raw material investment risk, a sale of future contracts equivalent to the raw material investment is made, then when the material is used or the finished product is sold the future contract is re-bought, equalizing the transaction.

The second method of using a hedge is when a sale is consummated for future delivery and it is not definitely established what the exact types of semi-processed materials will be. In this case, a part protection is afforded by hedging the raw material. An illustration of such a case would be where a coated textile manufacturer might sell to an automobile body builder its requirements of various types of topping material for several months ahead. A coated textile manufacturer might not be able at the time of sale to cover for the necessary cotton goods required for the manufacture of such finished articles and might consider it prudent to take hedge insurance in the form of an equivalent amount of cotton futures on which the price of cotton goods would be based. This hedge would be closed as soon as definite textile orders were placed for the specific item.

An inventory of the finished product may be built up under the plan of hedging without risk of fluctuations in market relation to inventory investment. An illustration of this would be where a cotton textile converter might have manufactured for sale, 5,000,000 yards of print cloths which sale could not be immediately effected. If there was good reason to suspect that the cotton content of these print cloths would decline in value in the near term, they could promptly hedge or insure that risk by selling an equivalent quantity of cotton futures which would be immediately closed out when the print cloths were finally sold.

It must be borne in mind that there may be no perfect hedge. The price of tires or of textiles may not have fluctuated exactly as the price of rubber or cotton. However, the operation in futures may materially reduce the possibility of loss and, of course, of gain, the latter if the price of the raw material advanced before the finished product was sold. It has been estimated that in cotton the risk when hedged is only from one-eighth to two-thirds as great as when unhedged.

*Illustration shows how KIMPAK protects both pencils and "Big Six" retail display easel for Autopoint Co., Chicago, Illinois.*



## Kimpak CREPE WADDING *protects against shipping damage*

● KIMPAK solves two packing problems for the Autopoint Company. They use it to protect the edges of expensive retail display easels from damage in transit . . . and to prevent the carton from rubbing and scratching pencils.

KIMPAK adapts itself to any packing problem. It will not scratch or mar because it is soft, without dirt or foreign particles. Light in weight, applied easily and quickly without

muss or waste, KIMPAK is preferred by hundreds of manufacturers in all types of industry.

KIMPAK is inexpensive, too. Costs will surprise you. Address nearest sales office on letterhead for FREE portfolio of samples.

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NEENAH, WISCONSIN**

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**A FRIEND in DEED—**

HOWDY, MR. USER! I'M CASLON MIMEOGRAPH BOND — YOU CAN USE A GOOD MAN LIKE ME ON YOUR MACHINES NAH! I'M TOO BUSY TO SEE YOU!

SEE? I HAVE A SPECIAL SELSECO FINISH FOR SAY LISTEN MIMEOGRAPHING — I SAID I WAS TOO —

I FEED FASTER TAKE LESS INK AND HAVE NO OFFSET —

AND I'M STRONGER TOO! WHAT TH?

I STAND STRAIGHT — NOT A CURL OR WRINKLE — SAY THIS GUY'S REALLY GOT SOMPIN'

WRITE YOUR "JOHN HANCOCK" ON ME WITH INK — IT WON'T "FEATHER" — SEE? WELL BLI' ME!

I FOLD BETTER AND — BIG BOY — I SAVE YOU MONEY!

STOP! PLEASE —

YOU BEGIN WORK AT ONCE — YOU'RE HIRED !!

**CASLON Mimeograph BOND**

**FREE PROOF PACKET FOR MIMEOGRAPH OWNERS**  
To The Munsing Paper Company, 1060 Wrigley Building North, Chicago, Illinois.  
Send your free "Proof Packet" of 100 sheets Caslon Mimeograph Bond, 8½ x 11 size. We operate \_\_\_\_\_ Mimeograph (or other stencil-duplicating) machines. We will test your paper on our machine and let you know results at once, on form you provide.

Name \_\_\_\_\_  
Position \_\_\_\_\_  
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PLEASE ATTACH YOUR BUSINESS LETTERHEAD

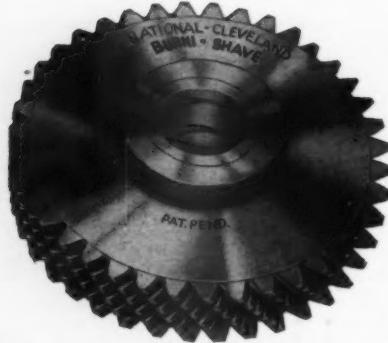
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No. 63

**A** NEW shock absorber consisting of a base stamping and a supporting housing to which the leg or base of a machine may be rigidly fastened. The isolating material is natural cork, which does not take a permanent set under excessive loading, does not compress further after the initial compression, and has a time lag in return which prevents bouncing action. It is not affected by water, oils, or changes of temperature, and is claimed to have an efficient life equal to the entire life of the machine. Standard models provide a range for loadings from 65 to 375 pounds.

*See coupon below*

## GEAR FINISHING TOOL

No. 64

**T**HIS recently developed tool combines the burnishing and shaving operations in gear finishing, thus reducing both tool and labor cost. It can be used on any gear tooth burnishing machine, or with a fixture adapted to a milling machine. Actual

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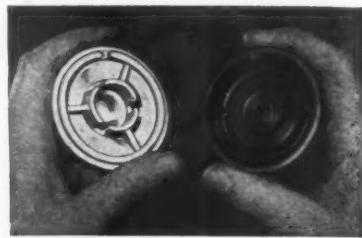
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City ..... State .....

production tests indicate the extreme accuracy of the method under all conditions, approaching that of grand master gears, and a practicable working speed that finishes average size gears in less than fifteen seconds. Applicable to all gear types—spur and spiral, internal and external. The illustration shows one of a set of three.

*See coupon below*

## COLOR INDEX FOR PIPING LINES

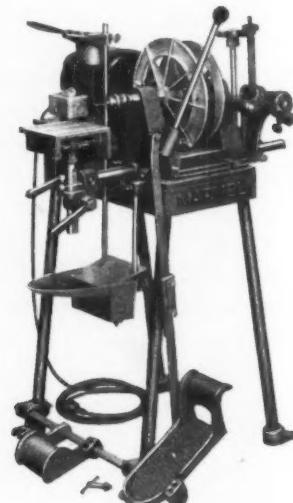


No. 65

**P**OSITIVE identification of various piping lines through the use of distinctively colored valve wheels is a new development which avoids errors, confusion and delay in operation. Applicable for steam, water, air or gas lines, sizes  $\frac{1}{4}$  to  $\frac{3}{4}$  inch. The colored cover plates are readily attached and are interchangeable. Color is permanent and impervious to heat, fumes, and grease, being actually a part of the molded material. Five standard colors and a variety of markings are stocked, and special combinations can be furnished, providing a prompt and accurate visual index to any piping layout or system.

*See coupon below*

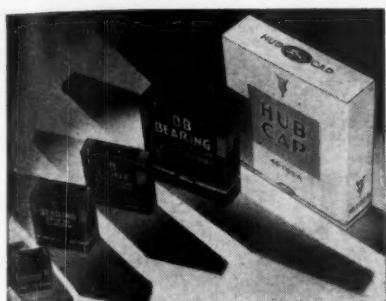
## TAPPING MACHINES



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**A** NEW line of horizontal friction-type motor-driven tapping machines embraces seven models with a capacity range, fine thread No. 0 to  $\frac{1}{2}$ " U.S.S. taps. They are adaptable to both large and small parts, and the smooth action is designed to prevent tap breakage. A sliding table provides micrometer screw adjustment for depth and simplifies holding fixtures. They are furnished in bench or floor types, and use standard stock motors.

*See coupon at left*

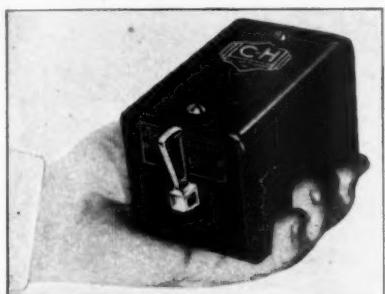


### PACKAGE FAMILIES

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**P**ACKAGING related products in containers designed to stress the "family" relationship is a device that makes for orderly stock keeping and insures the use of the proper part for a given purpose, as well as furnishing an effective aid in display and merchandising. The wide application of the idea is illustrated by the group of Ford automobile parts shown above.

*See coupon page 48*



### SMALL DRUM SWITCH

No. 68

**C**OMPACTNESS, simplicity and sturdy construction feature this new drum type reversing switch. It is applicable to almost all single phase, polyphase or D. C. motors. Its twin-break contacts and moulded arc barriers are designed to provide exceptionally high rating and long life. All parts are easily renewed. Movable contacts can be removed without the use of any tools, and the stationary contacts are assembled into an inexpensive moulded base which can be replaced as a complete unit.

*See coupon page 48*



### LEAKPROOF FOUNTAIN PEN

No. 69

**T**HE problem of ink leakage and the resultant stains and damage is solved in this new model fountain pen by a simple automatic and fool-proof device which shuts off the ink in the barrel when the cap is screwed on. With this safeguard the pen can be carried in any position without the possibility of having ink flood into the cap, and is ready to write as soon as the cap is removed. Other features include visible ink supply, single stroke filling, and adjustable point to suit individual writing style.

*See coupon page 48*

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BETTER SIGHT

# Hygrade Lamps

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*Single Rooms and Suites -- Sensibly Priced*

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**GUARANTEED UNBREAKABLE MARVEL High-Speed-Edge Hack Saw Blades**

Box for Box MARVEL BLADES will out-cut and outlast all others. for these patented blades combine the best features of all other types, still share the weaknesses of none—have the fast-cutting, long-lasting quality of Genuine High-Speed Steel and at the same time are shatter-proof, are GUARANTEED NOT TO BREAK. For use on all hack saw machines. They cost no more than "ordinary" high speed blades.

*Write for Circular* Armstrong-Blum Mfg. Co. "The Hack Saw People" 360 N. Francisco Ave., Chicago, Ill., U.S.A.

*Unbreakable Alloy Steel Body*

Genuine 18% Tungsten High Speed Steel Teeth

Patented Electric Weld

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Names and addresses of Purchasing Executives who are interested in saving hundreds of dollars for their firms each year on all types of office machines. Just write in and ask us to mail you a copy of our Spring 1935 issue of Reliable's Confidential Wholesale Bargain Bulletin and Buyer's Guide. Its pages are filled with real money-saving opportunities on Typewriters, Adding Machines, Calculators, Bookkeeping Machines and several other types of equipment from other sources. Send for it today without fail. It's absolutely FREE.

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## COMMUTATOR BRUSHES



No. 70

FOUR years of research preceded the announcement of this new series of electrographitic brushes designed for service on heavy duty direct current equipment. There are five grades in the series, each having a progressive relationship to the other grades with respect to commutating and mechanical characteristics. Thus it becomes possible to get maximum service and long brush life by selecting the combination of these qualities best adapted to the particular type of machine and service.

*See coupon page 48*

## FIRE EXTINGUISHER



No. 71

THIS fire extinguisher utilizes a dry compound which kills flames instantaneously at contact and insulates the burning objects. It has been used successfully with fires in grease, oil, alcohol, gasoline, lacquers, energized electrical apparatus, and other combustibles. The new model is featured by simplicity of construction and operation, economy, and low maintenance cost.

*See coupon page 48*

## IMPROVED CHAPLET

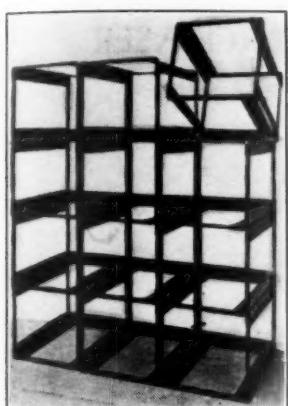


No. 72

NEW features of design and structure increase the usefulness of this chaplet. The deep spiral serrations prevent turning; the center metal strip is a seal against gas or liquid pressure; the heads, round or square, are electrically welded to the shank and will not tear loose; the special metal fuses with

the casting. Altogether it is strongly resistant to turning, blow-outs, and leaks, and is said to strengthen the casting rather than to weaken it.

*See coupon page 48*

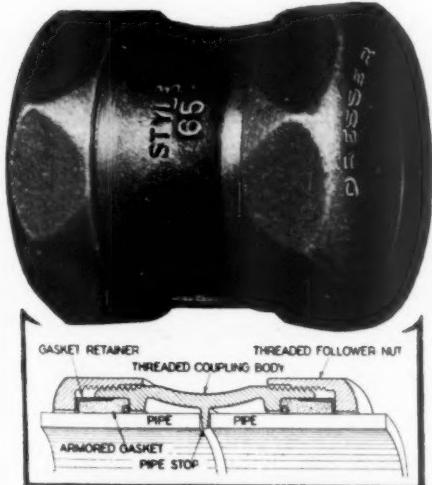


### STORAGE RACK FOR SHOP BOXES

No. 73

ORDERLY storage of shop boxes and tote pans in a rack adaptable to whatever space is convenient or available, in a manner which leaves each box available for use or removal without disturbing the others, is achieved by this sectional unit rack, made to fit any size box to suit particular needs. The design provides automatic interlocking of units in any desired arrangement, resulting in the strength and rigidity of a solid rack, and may be stacked as high as required. Construction is of angle and formed steel, solidly welded, and finished in green or grey baked-on enamel. Designed primarily for shop use, it is equally adaptable to steel, wood, fibre, or cardboard boxes of any size and weight.

*See coupon page 48*

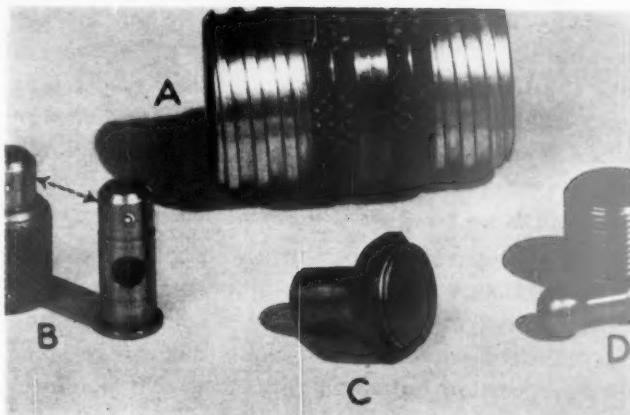


### PIPE COUPLING

No. 74

THIS self-contained pipe joint is applied by inserting the plain unthreaded pipe ends into the assembled coupling and tightening two nuts which compress resilient armored gaskets firmly around the pipe, resulting in a positive seal that absorbs normal vibration, expansion and contraction, and permits deflections of the pipe in the joint. The simplicity of the operation makes it adaptable for use in cramped quarters, in the repair of old lines, and wherever cutting to exact lengths is not feasible. It is furnished in standard pipe sizes, black or galvanized, and can be used on all types of industrial lines, inside or outside.

*See coupon page 48*



### FOUR INTERESTING TURNINGS

*Evolved and Produced by Peck*

- (A) **Fishing Reel Seat** — Chief problems: with the sleeve, imparting a smooth finish and keeping chips from clogging the die; with the nut, keeping the knurling sharp.
- (B) **Oil Cup** — The steel oil tube, including cross-drilled hole and prick punch assembler guide, were made in one operation.
- (C) **Brass Bushing** — Note the threaded shoulder: 32 pitch, 15/32 dia. and only 1-1/2 threads to the whole job. Threading is smooth and snug up to the shoulder.
- (D) **Toggle Switch** — On the sleeve, a clean job of brass threading; in the toggle, an example of unusual form tool turning.

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nationally recognized specification wherever such is available and will meet our requirements. At present we are only using two distinctive Byllesby specifications. In one case we feel that our own more clearly outlines work that must be done by the manufacturer for the convenience of our inspectors. In the second case there is no recognized national specification.

Special apparatus constitutes a large percentage of the purchases for a utility property. Usually it means either adapting a standard machine or assembling standard parts into a machine that will be suitable for a certain individual situation. No standard specifications are therefore available. For this type of apparatus we have gotten up what we term Apparatus Data Sheets. These forms are designed to contain only that information which is necessary for the manufacturer to have in order to quote intelligently on our requirements. Also all the information as to performance, that our engineers feel is necessary for them to have in order to analyze the proposals submitted.

The factor of availability is handled in the following manner: First we have a purchasing representative present at construction headquarters. This is usually the purchasing department of the local company and the construction department requisition all materials through them. In case the project is of sufficient size to justify a construction headquarters out in the field a buyer is assigned to this work and located there.

The factors of suitability and availability having been determined the actual purchasing will fall into three rough classifications:

First you will have commodities that are required in large and constant volume, where there is really no standard list and discount but prices are set in a keenly competitive market that may be featured by rather violent fluctuations. It has been our experience that while the individual properties may be as much as 50% wrong in their estimates and very uncertain as to dates, we can safely estimate the requirements of the properties as a whole within 10%.

The second classification will be commodities where there are standard list prices and discounts, the latter increasing with the volume of business involved. Here our practice is to execute contracts in the name of the management corporation covering all the subsidiary properties. The latter place their orders directly, applying the same against these general contracts.

The third classification is mainly special apparatus having no standard list or discounts. Each machine is an individual problem.

The remaining purchases for field construction are those which can best be handled in the field itself. This class is largely made up of those items where price is mainly a question of transportation costs, as in the case of building materials.

## ADVERTISING IN THIS ISSUE OF THE EXECUTIVE PURCHASER

	Page Number
ACME STEEL CO. ....	23
ARMSTRONG-BLUM MFG. CO. ....	50
AUTOPOINT CO. ....	43
BENNETT BROS. INC. ....	44
BONNAR-VAWTER FAN FORM CO. ....	33
CARTER COAL CO. ....	45
EDIPHONE—Thomas A. Edison, Inc. ....	25
EDUCATIONAL EXHIBITION CO. ....	49
ELECTRO ALLOYS CO. ....	32
GENERAL ELECTRIC CO.—Air Conditioning ....	7
GENERAL ELECTRIC CO.—Refrigeration ....	5
GRASSELLI CHEMICAL CO. ....	34
HOWARD PAPER CO. ....	39
HYGRADE SYLVANIA CORP. ....	49
INTERNATIONAL PAPER CO. ....	35
INTERNATIONAL TAG & SALESBOOK CO. ....	38
KEE LOX MFG. CO. ....	6
KIMBERLY-CLARK CORP. ....	47
LEE SPRING CO. INC. ....	41
MAY & MALONE, INC. ....	46
MENDES CUTTING FACTORIES, INC. ....	49
MUNISING PAPER CO. ....	47
NORTON COMPANY ....	1
PECK SPRING CO. ....	51
PULMOSAN SAFETY EQUIPMENT CORP. ....	3
RELIABLE TYPEWRITER & ADDING MACHINE CORP. ....	50
ROYAL TYPEWRITER CO., INC. ....	31
JOSEPH T. RYERSON & SON, INC. ....	8
SANITARY INSTITUTE OF AMERICA ....	42
SENECA HOTEL ....	50
SEYMOUR MFG. CO. ....	Back cover
SIMONDS SAW & STEEL CO. ....	29
L. S. STARRETT CO. ....	2nd cover
STERLING GRINDING WHEEL CO. ....	26, 27
THOMAS PUBLISHING CO. ....	51

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